

THE PASSING OF THE TARIFF

RAYMOND L. BRIDGMAN



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THE PASSING OF THE TARIFF

BY

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BOSTON
SHERMAN, FRENCH & COMPANY
1909

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SHERMAN, FRENCH & COMPANY

Printed in U. S. A.

1756
B76p

NOTE

Acknowledgment is due for permission to use in this volume articles which appeared originally in Magazine form; to the *New England Magazine* for "Publicity for Favored Interests," published in the number for December, 1905; to the *Atlantic Monthly*, for "The New Tariff Era," published in the number for April, 1907; and to *Moody's Magazine*, for "Free-Trade Protection," published in the number for February, 1907, and for "Taxation of Trade Destructive," published in the number for August, 1907.

Grateful acknowledgment is made to Professor Garrett Droppers of the Chair of Political Economy in Williams College for the substance of the last chapter of the book.

No one should read into this book a purpose which it never had, nor condemn it for omitting what it was never intended to include. Its purpose is not to set forth anew the old principles which have been so admirably made clear by many previous writers. When those principles are mentioned it is because they are necessarily incidental to the main purpose of the book, which is to show that strong forces are acting to destroy the tariff system completely, to encourage those who are fighting for the removal of artificial obstructions to trade and prosperity, to in-

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THE PASSING OF THE TARIFF

form those who are not familiar with the bright signs of the times, to arouse those who are indifferent or hopeless, to challenge those who oppose, and to make friends of all.

R. L. B.

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THE PASSING OF THE TARIFF

CHAPTER I

THE PASSING OF THE TARIFF

Every few years a rebellion against the tariff breaks out among the people of the United States. It is sharp, determined and based upon principles strengthened by self-interest. It fails, and then the tariff men proceed to raise the duties still higher. Even such a success of the rebels at the polls as the sweeping victory of 1892, which put Grover Cleveland into the presidential chair for the second time, amounted to nothing in practical results, with few exceptions for a short time, because the high tariff men, through the aid of those singular persons known as protection democrats, succeeded in destroying the merit of the tariff reform legislation so thoroughly that President Cleveland refused to identify himself with the perversion of the victory which the tariff reformers ought to have enjoyed, and he permitted the bill to become law without his signature. Afterward, when the tariff men returned to power, the Dingley act raised the high duties of the McKinley tariff to a higher level, and today the country carries on commerce under the heaviest restrictions ever put by our laws upon international trade.

Cycles of rising prices, which are the natural consequence of distributing the alleged benefits

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of the tariff through the community until all people have their just proportion of the advance, result periodically in popular unrest under the conviction that prices are too high to be endured (though this cause is only one with others and not the most potent) and then rebellion against the supposed cause of the prosperity breaks out again. This rebellious attitude spread through the country for several years before the presidential campaign of 1908, as the tariff continued its evident effects of raising the fortunes of the few and of increasing the burdens of the many, until political leaders realized that open outbreak could not be restrained much longer. It is a vital question for the people of the United States whether the purposed rebellion shall result, as every previous one has resulted, in utter defeat for the rebels and in the imposition of still higher tariff duties, or shall bring a permanent victory which shall never suffer a complete reaction in the sentiment of the nation, no matter what financial calamities occur in consequence of violations of the obscure and complicated laws of trade and of the production and distribution of goods.

Our country does business today under circumstances very different from those which existed when the first tariff was enacted. Conditions have changed greatly even since the civil war. From the outbreak of the last tariff rebellion in 1892 to the present there has been a con-

stant growth of elements which have a vital bearing upon the tariff policy. Forces are at work which tend to bring the world more and more closely together. The good old days of the "home market" theory are receding into the oblivion of distance, and ideas are finding acceptance which will put the tariff permanently on the shelf as a relic of barbarism, with slavery and polygamy. Obstruction to trade, such as the tariff presents, cannot exist permanently in the light of the ideas which are becoming predominant in the business world. Trade between the nations will flow as freely as it does between our sovereign states and there are bright indications that the tariff is passing away forever. Discouraged tariff reformers are skeptical, but there is plenty of light for their gloom.

Self-interest, it must be admitted with regret, plays a far larger part in the tariff agitation than pure principle. Unselfish devotion to the public welfare apart from personal and local considerations is by no means the most powerful force in the conflict. When the Home Market Club made its brilliant dinner demonstration, with speakers including the president of the United States, members of his cabinet and distinguished men of other circles, it mustered from 1500 to 1800 finely appearing beneficiaries of the tariff who represented, in their own persons and in their own fortunes, the advantage which a few, at least, derive from the general obstruc-

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tion of trade. But when the American Free Trade League musters its largest host they are barely one in twenty compared with the Home Market men, and no president or cabinet officer puts his legs under their table, but only college professors, or men whose fortunes have been hurt by the tariff, or (and for the most part) those who insist that principle stands higher than personal benefit, and that the welfare of the whole is of more consequence than the aggrandizement of the few. In the year ending November 1, 1908, the Home Market Club spent \$15,902 for its cause. Such a sum for the American Free Trade League would be to its secretary the eighth wonder of the world.

But self-interest has entered upon a new era. This is not because of the tariff, but in spite of it. Business all over the world is becoming more and more independent. Cables under all oceans bring all continents together so that the deeps are no longer obstacles to communication, but only to transportation. All countries are put under tribute for the supplies of our own, more than ever, and we are learning the lesson that we cannot sell unless we buy. The self-interest which has fostered the tariff is finding its salvation in discarding its theory of limiting itself by the boundaries of our country and is recognizing that no limits short of those of the world itself are reasonable in its efforts to find wider markets for its home productions. The Free

Trade League is about to find itself distanced in the race by the men who have been the supporters of the Home Market Club. This operation of self-interest alone will decide the issue, and the commercial world will work out its salvation on commercial lines.

But there are other considerations to prove that the power of the tariff is waning, and they are as much higher than the commercial as justice to all is higher than selfishness grasping all it can for self, regardless of justice.

Our people, born with personal liberty, can with difficulty realize the deep and expansive meaning of their unspeakable right so freely exercised. Nor can we, accustomed to the enjoyment of its fruits every day, adequately understand how much of them we owe to its stimulus. Our very circumstances stir us to do our best. Our exceptional opportunities are largely those of our own making. It is the theory of our laws, which we realize in practice with increasing fullness as the laws become more effective in operation, that every worker shall receive the equivalent of his work. Fortunes rise under the inspiration of seeing, in one's own hand, the equivalent of the toil of the hand, directed by all the ability of the brain.

But in other countries where personal liberty is far less, where government is despotic, where property rights are insecure, where officials plunder the people and where robbery, theft and

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fraud are not restrained by the inefficient governments, are incalculable millions of hands relatively unproductive, of brains stupefied by tyranny, and thus of possible opportunities unimproved. Body, mind and soul rest under burdens which such human liberty as we enjoy would remove. After such removal, in every such locality, wealth would increase rapidly. Peoples now impoverished would become our customers in abundance. Lands now able to send us but little would fill our returning steamships with overflowing cargoes. Human liberty alone would work such a transformation, in conjunction with the other forces now operative all over the world.

Now the overthrow of the barriers of trade on our part would tend to the dissemination of our ideals of liberty, even more than at present, in every part of the world. If we have a mission higher than to make dollars out of our fellow men, especially out of those with whom we trade and with whom we are in constant friendly contact, it is to give them the stimulus of the same ideals as have made us free and strong. The direct, speedy and inevitable consequences of our throwing down our trade barriers would be to advance the cause of human liberty in other parts of the world as knowledge of our country and familiarity with its practical accomplishments should become familiar to other peoples, and we should add much to the progress of the world toward the highest form of political institutions.

Ideas spread quickly where the mind is receptive, and the desperate struggles of millions in different parts of the world, even in these modern years, for a small portion of liberty such as we enjoy proves how quickly a response would follow the outside stimulus and how the world would leap forward in the race.

But there is a still higher and stronger reason why the tariff obstruction should be removed. Tariff men will doubtless deny it, but it is true, and it is a truth greater as truth than any man is as man. Let it be said here, as it is said elsewhere, that truth is one, harmonious and indivisible. We separate truth into truths only because of our intellectual littleness. We classify science under the heads of different sciences only because our minds are not broad enough to comprehend science as a whole. Financial, commercial and religious truths are equally parts of one stupendous whole — if the use of the words “parts” and “whole” in relation to infinity be permitted, for they are the best words in the English language to symbolize the idea. If the tariff is right financially, industrially and commercially, then it is Christian. If it is wrong in these respects, then it is un-Christian and it is worthy of the persistent, determined and effective opposition of all who would work for the spread and triumph of Christianity.

Affirmation is made here that the tariff is wrong financially, industrially and commercially

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and therefore that it is inconsistent with true religion — using the word in a sense broad enough to include all moral and religious truth, no matter with what system of religion it is identified. Being irreligious, therefore, it must be wrong in every other aspect, must be destructive of rights and property and is to be opposed as long as a vestige remains.

Passing over the well known fact that the tariff owes its existence to the scramble of selfish interests at Washington and that if it were left to the unmanipulated judgment of the nation while those interests did not lift a finger it would be abolished as soon as the bill could be pushed through both branches of Congress and carried to the White House, let it be assumed here that every tariff man is acting from motives of the highest patriotism, that he desires to see only the welfare of his country as a whole, and that if that welfare demands the removal of the tariff he will consent as readily as he now insists that the tariff must be retained. Only such a degree of patriotism can be accepted by a nation of patriots in considering the tariff policy for the whole nation, and any citizen who acts for selfish interests primarily puts himself beyond consideration.

Now, as to the religious standard of action. The Master himself said: “Thou shalt love thy neighbor as thyself.” The chief apostle wrote: “For the whole law is fulfilled in one word, even

in this, Thou shalt love thy neighbor as thyself." The Golden Rule says: "Do unto others as ye would that others do unto you." The Master did not say: "Thou shalt love others better than thyself." An even balance between self and others is to be held, and both are to be given equal justice. But every tariff man who professes to act from love of country as superior to self-interest knows and realizes, that it would be profitable to the foreigners if our markets were thrown wide open to them. There is not the slightest doubt upon that proposition in the mind of either a tariff obstructionist or a free trader. The tariff man would view with horror the consequences to this country, but he has no misgivings regarding the profit to accrue to the men who could deliver their goods free of duty at our wharves. As a patriot, he would save all the profit to our country and not permit foreigners to share it. He regards our markets as our property, to which only our own people have title, and the foreigner who would break into them stands in the same light to him as a burglar who should break into his house.

But this claim of exclusive property rights in our own markets is unsound. It violates the very fundamental truth in the creation of mankind of one blood.

The question goes deeper than the claim of one people to exclusive possession of the territory they occupy. There is a oneness of mankind

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which overrides the claims to national exclusiveness. European nations and the United States are acting upon that truth, blindly, to be sure, in their policy toward China in breaking down the Chinese wall of exclusiveness. It is a true principle that nations have no right to shut other nations out, or to shut themselves in, or to shut individuals out or in who are law-abiding. Not only is such a course folly, but it flies in the face of that sovereignty of all mankind which is a fact, but an ignored fact yet to be established as the fundamental truth in the relations of nations. No nation has a right to exclusive possession of its own markets, and each has the right, as a member of the human family, to insist upon its own admission to the markets of others as freely as it throws open its own.

Love and justice to the neighbor, both, demand, as a religious principle of action, that equal opportunity be afforded to trade from whatever source it comes. The tariff violates the fundamental principle of religion in the relations of men. It deliberately refuses to hold an even scale of justice between the home citizen and the foreigner. Judged by the standard which the ruling people of this country profess, the tariff is irreligious, immoral and destructive of justice. Therefore, in a world where the right wins, those who support such a proposition in the light of religious truth and in opposition to the forces which make for justice to the weak as well as to

the strong, might as well fight against the stars in their courses. Inevitable defeat awaits them. As rapidly as true religion makes its way in the world, in the full force of its genuine spirit,—not in the clouded comprehension of men still under the spell of national all-sufficiency—so surely is the tariff passing away. That spirit of self-sacrifice which impels men and women to consecrate property and life for the spread of the good news also impels them to exert all their influence for the overthrow of the unjust, divisive and destructive obstruction to the welfare of the nations which is appropriately named “tariff” from “Tarifa,” a nest of robbers.

It is true that the tariff policy seems more strongly intrenched today in the policy of the nation than ever, judged by the relative amount of the duties levied upon imports. It is true that in England there seems to be less general acceptance of the free trade truth than a generation ago. It is true that the other great nations of the world hold tenaciously to the theory that their own welfare is to be promoted by putting obstacles in the way of the free exchange of products put upon the market under the most favorable conditions.

But it is further and emphatically true that the nations are entering upon a new era in their relations with each other, and that even a hundred years are but few in the onward sweep of the human race. Forces which the nations obey as

completely as the ocean currents obey the mighty cosmic impulses which drive them long distances are urging the nations forward into a community of self-interests as permanent and as evident as the unity and self-interests of the states of the United States. International conferences at The Hague mean the political unity of mankind, and with that will come commercial unity and financial unity, just as surely as such unity has already been attained by our own sovereign states whereby no obstruction to trade is permitted between them and where friendly intercourse overpowers all causes of antagonism and smothers all beginnings of hostility.

Protection has reached its climax. Its giant strength is already enmeshed in the subtle and strong web of forces which will bind its hands and feet, which will overmaster its struggles, which will put an end to its selfish and unwise activity, and will finally strangle its life out altogether. Its doom is inevitable as certain as there is progress among men. Slavery in the United States was at its zenith when it fell to its utter destruction. It dominated the politics of the country. It stifled men's consciences, as far as political majorities were concerned, even in such a pioneer antislavery state as Massachusetts. It paralyzed their courage and it made even its opponents, except the leaders, accept compromises rather than stand up and fight. The dollar was supreme over the bodies and souls of black

men. What has happened once may happen again. It would not be strange if the next rebellion against the obstruction of trade, against the promoter of monopoly and against the imposer of unjust taxes should be successful.

CHAPTER II

THE NEW TARIFF ERA

Never have the customs duties of the United States been raised to a higher average than now. From the tiny beginning of five per cent. in revolutionary days, the protected interests have gradually been able to increase the barrier against imports from other countries until the average is more than ten times as high as was thought satisfactory by the early legislators for the protection of infant industries.

This wall seems now to be as high as it can possibly reach. Already it seems toppling from top-heaviness, and it is a fair question whether it would not be stronger if some of the top courses were removed. Popular opinion has sustained it thus far, judging from the election returns; but popular opinion is gathering tremendous strength against enormous aggregations of wealth, and it seems quite probable that this opinion will be directed against the tariff within a few years. No observer, however, can question today the complete success of the high protective policy, judged by what it has been able to put upon the statute book. There the law is, all free trade argument to the contrary notwithstanding.

Simultaneously with this crowning victory of the highest tariff known to our history must be

recorded the lowest depth of defeat for the school of political economy which has opposed it. No weight in the popular mind seems to attach to the doctrines which were taught, a generation ago, by the colleges and universities as the solid foundations of truth in the economic world. *Laissez-faire*, which was the shibboleth then, is now practically discarded. If it was a sound and successful doctrine for an era of free competition of producers in the markets of the world, yet its propounders had no conception of the present conditions, when competition has run its legitimate course and ended in monopoly so absolute that it holds nations in its grip and strangles every one who struggles to set himself free.

In those days that was held to be the best government which governed least. It was taught that the function of government was to give fair play to competition and to keep its hands off the competitors. *Laissez-faire* was fitted for days of competition; and when competition was stifled by monopoly the people instinctively felt that to say "laissez-faire" to monopoly meant commercial and industrial slavery to them, as it surely did. Hence it was inevitable that the old school of free trade should cease to convince the thoughtful, and it was equally inevitable that it should be rejected by the average voter of the country when he came to vote for a policy to be put in operation by the government.

A staggering blow was delivered to the old

school by the panic which followed the presidential election of 1892. Democratic victory, meaning a reduction of the tariff, in November of that year, followed by the inauguration of President Cleveland for the second time on March 4, 1893, and the commercial crash of May, 1893, a precursor of hard times which did not end for a long period — hard times attended by city soup kitchens in many places and by clamorous armies of the unemployed — fixed indelibly in the minds of many thousands who voted the Democratic ticket the belief that the Democratic victory was the cause of the hard times. Though well-informed men know that the same catastrophe would have occurred if President Harrison had been reëlected; though Republican leaders doubtless know that their party would have suffered equally if it had been successful; yet some of those leaders have never since then failed to assert that the hard times were a direct consequence of Democratic victory, and to this day there is no stronger argument against tariff reform in many minds than mention of the panic of 1893. Since then, among the mass of voters, free trade as a political policy has been beyond mention. That election marked the end of the era of the *laissez-faire* theory as a force to be reckoned with in politics.

Since then, there has been no logical coherence in the campaign argument against high protection, except the self-interest of those who think

they see opportunity to make more money by lowering the tariff. As a party of opposition, the Democrats have opposed the high-tariff Republicans, but the tariff was not heard of as a genuine issue in the presidential campaigns of 1896 and 1900. Every muscle was strained over the currency — the question whether Bryan and silver should win. Theoretical free trade was no more concerned than the theory of the northwest passage. The old force was dead, and it is impossible for it to revive.

Revival of the old theory is impossible, further, because the men who held it entertained the same inadequate idea of the functions of government which is today entertained by the business men who control the high-tariff wing of the Republican party and dominate the legislation of the country. Old-time free traders held that government should be reduced to the lowest possible terms. Today the high protectionists want the government to keep hands off and let them alone, after they have secured the highest tariff the country has even known. Business men generally dislike interference with business conditions on the part of the people. They desire strongly that Congress and the state legislatures should meet as infrequently as possible, and do as little as possible. They fail as utterly as the *laissez-faire* men failed in their time to comprehend the function of the government as a means of service of the people by the people; they cannot un-

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derstand that it is far more and far higher than a police force to preserve order, in the sunlight of which the business men are to accumulate their fortunes in peace and to exercise their full faculties for the exploitation of their fellow men. These two classes are at one in their desire that the government keep its hands off the business community, and henceforth it is hopeless to look for a revival of the old theory of free trade.

If the let-alone theory were sound, then every head of a family must be his own bacteriologist, microscopist and sanitation expert; he must be the schoolmaster to educate his children; he must contract with private corporations to carry his letters across the continent and around the world. If it is an unsound policy for the people, through official servants, to protect themselves against disease and ignorance, but should leave it to their self-interest to sharpen their wits and to save them from the blind destruction of nature and the cunning heartlessness of their fellow men, then all our progress of recent years has been in the wrong direction. But if it is a sound policy to educate the children at public expense, to carry letters by public servants, to have sanitary rules for the salvation of rich and poor alike from the devastations of pestilence, then it is also a sound policy to protect the public from fraud and loss by supervision of insurance companies, savings banks, trust companies, national banks and pub-

lic service corporations of every sort. It is with many limitations that whatever truth there is in the let-alone theory is to be applied. Our nation is growing away from it and the government is wisely putting its hand more and more upon the business conduct of great aggregations of capital.

Opposition to protection is rising powerfully, and it is evident that a new era in the contest has opened. The nation has learned the lesson, even if the *laissez-faire* men have not. This is not because the nation is the more intelligent; but inevitably the very force of circumstances has compelled favorable action upon measures of the highest importance to the welfare of the nation. Without apparent intelligent action upon the true proposition regarding the nature of the government, as contrasted with the hands-off theory, the necessary steps have been taken. Popular demands for governmental control, for restraint in one direction, for supervision in another, for the use of the taxing power for the benefit of localities, and so on in a thousand ways, have made it clear that that is not the best government which governs least, which keeps its hands off and permits the people to become the victims of sharpers or take the consequences, but that which watches for the welfare of the people. Former objectors, some of whom survive to the present, use the term "paternalism" in

describing this function of the government. But epithets do not scare a nation which knows what it wants.

In truth, this action of the government is not paternalism at all, in the opprobrious sense. Rather, it is self-service of the people. It is the line along which all modern governments are developing. It seems to be established already as the true and necessary line of advance, whether the government be representative, democratic, or monarchical, that there shall be an equipment of the political body with organs which were not needed and were not known in the days when the *laissez-faire* school was strong, and when its opponents were young. In modern times there has been developed the system of national and state boards and commissions for the control of public-service activities of the body politic and for the service of the people, which establish to the observing mind the truth that government is certain to become a far more highly complex organism than at present; that these organs are legitimate for the proper service of the people, and that justice and prosperity are to be secured only as they are found in active operation, when modern conditions are present as they exist in the most advanced countries.

Again, in recent years there has been a phenomenal development in the popular mind of the doctrine of governmental ownership, or, at least, governmental regulation of natural monopolies

and of public-service corporations. The business community does not accept this theory. The *laissez-faire* school is opposed to it on principle. But, whether or not the theory is sound, the country is practicing it and is evidently determined to practice it far more extensively. To-day ideas are deemed conservative in this field which were radical ten years ago. The president of the United States has been apparently leading the entire mass of the people, with the exception of the business men whose personal interests make them oppose him, in a movement for governmental regulation of the railroads. Corporations must come under the control of the government. In many ways the idea is making advances from point to point. Having a secure foundation in the postoffice department, strengthened by the general practice of municipal water supplies, by public highways, by successful government of railroads and electric roads in other countries, and by other practicable propositions which have been demonstrated, the idea marches on, making converts, and establishing with apparently invincible strength, a theory of governmental function which is totally contrary to the old order of things. Hence, again, a new era in the tariff contest has begun.

Other considerations tend to show how distinct is the new era of tariff discussion from that which seems to have closed. People's minds are becoming familiar with the idea that it is sound

policy for the government to do things which are opposed by the old theory of free competition. This very circumstance, in the nature of the argument, tends plausibly toward the governmental support of industries. If it is for the government to engage in business enterprises for the service of the people, it would not be wise to condemn the new policy as a failure — so the argument runs — until it has had a fair chance to vindicate itself. For a time, therefore, the industry under the management of the government is an infant industry. Hence it is that the tendency of the times toward governmental regulation or ownership has been a powerful reinforcement of the argument for the protection of infant industries. It is doubtless not the fact that the high protectionists are in favor of governmental regulation or ownership of public-service utilities. They are not that class of men; they belong positively to the class who oppose any such function on the part of the government. But the development of our institutions has put into their hands an argument most powerful with the mass of the voters, in defense of the proposition that it is sound doctrine and a paying policy for the government to give pecuniary aid to business enterprises which are trying to establish themselves. All the prodigious popular prejudice against corporation control and in favor of governmental management or ownership, is thrown upon the protectionist side by forces to

which the protectionists, as a class, are stoutly opposed. Such is the strange political situation.

Still again, another phase of the situation has been developed which was not foreseen by those who held to the doctrine of free competition and hands off by the government. It was recognized by President Roosevelt in his recommendation for more taxation upon the swollen fortunes of the times. Under the stimulus of a condition where a man is no longer reckoned a millionaire who has a million dollars' worth of property; but only the man whose annual income is at least a million, there has grown a strong demand for taxation by the government to make the enormous fortunes bear their share of the public burdens. Income taxes or direct inheritance taxes, one or both, are in the minds of the public as remedies to be applied to the situation. With the experience of foreign countries in collecting each of these taxes, with the support in influential circles which the proposition has received, and with the popular indignation against the tax-dodgers, it seems reasonable to predict that before long there will be on the statute books of nation and states, one or both, stringent legislation—now merely in the air—which will yearly bring many million dollars into the public treasury.

Now, the tariff has its two distinct phases. First, that of protection to infant industries in order to promote the industrial prosperity of the

country. In this sense, it is supposed by its friends to act as a fertilizer spread upon a field. It secures a larger and quicker crop than would be possible without it. In its other aspect it is a matter of taxation, a method of raising money for the support of the government. That is, it is parallel, to continue the agricultural simile, to taking a harvest from the land. These two functions of the tariff are as distinct as the application of fertilizer and the harvesting of a crop, and the ideas should be kept absolutely separate in the mind.

But, if there is a radical change in taxation, in order to spare the country the evils of enormous wealth under the control of one man, that change will reduce the amount of money required to be raised by the government by means of the tariff, for the payment of its running expenses. Reduction will be possible, either in the amount of internal revenue, or in the customs receipts; and the establishment of taxation of incomes and inheritances must raise the question whether the tariff should not be reduced. If the money is not needed for government expenses, why should it be taken from the people? The raising of the issue will accentuate the contest over infant industries, and it will be a new question whether the infant will ever be old enough to get along without its bottle; but the mere raising of the question proves that there has been a shifting of the fighting ground over the tariff, and that a

new era is here, which is the point to be emphasized at present.

Certainly it may be said that the fact that the issue of reducing the tariff will be raised if income and inheritance taxes are levied will be a powerful provocative to many people to oppose the levying of such taxes; while the exasperation of the masses of the people at the continued dodging of just taxes will be a spur to popular leaders to force the fighting. At any rate, something more will be done than to try to use burnt powder in the coming struggle.

One of the most compelling reasons for affirming that a new tariff era is opening is the development which has taken place in the manufacturing of the country. This makes directly against the present high tariff and strengthens greatly those who are demanding revision in order that they may have larger markets abroad. It must be remembered that this question of enlarging our foreign markets is vital to our prosperity. Its force has been recognized by plenty of men who have upheld the high protection doctrine. When there was apprehension that the helpless body of inert China would be carved up among the nations which were ready to rush in, and when the enormous population of China was pictured to the mind of the United States exporter, there was a lively appreciation of the importance of keeping the door of China open. We went to war for the Philippines, and our

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entire Philippine policy was shaped by the supposed necessity of keeping an open door for our trade in China. It is notorious that United States manufacturers have had two prices for their customers — one a higher price which they charged to their friends and neighbors at home, and a lower price which they charged to strangers abroad. In the much-advertised case of the watch trade, American manufactures were sold so much cheaper abroad that American watches were imported from London, paying the duty, and then sold in New York for less than the price charged for similar articles which were sold, without the benefit of two voyages across the ocean, to the home customers of the manufacturers. In many lines of manufacture this practice has become a matter of general knowledge, and the figures are well proven. This has caused a new element in the case — a material modification of former tariff conditions.

Our trade seeks the markets of the world. Our exports have more than doubled in value in less than twenty years. We are able to make much more than we are now making. But we are learning the lesson that foreigners cannot buy of us unless they can also sell to us. They must have a market for their goods if we are to have a market for ours. More and more of our manufacturers realize this fundamental condition of international trade. Consequently there is a growing demand, which will not take no for

an answer, that our tariff be so far reduced that foreign producers may find a better market here.

This is the inspiration of the movement which, for several years, almost reached the point of political rebellion in Massachusetts and Iowa, and is gaining strength for the impending encounter. This element cares nothing for the theories of political economy. These men merely see a market which they want and which they can have if we lower our tariff. Here, again, is an element which emphasizes the fact that we are in a new era of tariff discussion.

Under the head of the new tariff era, too, comes the belief that the tariff fosters the trusts. Though this belief has been growing for years, yet the conditions which cause it did not exist to an appreciable extent when the leaders of the old school propounded the principles which they affirmed to be at the foundation of political economy. Prejudice against the tariff as the mother of trusts has steadily grown in its hold upon the public mind. This view is supported by students of the question. For instance, Professor A. W. Flux, speaking upon trusts at the gathering at Brown University on December 28, 1906, in the Economic Association, said,—

“It should not be claimed that all trusts are creatures of the tariff. But it may be claimed that the extent to which trusts can fix prices for their own gain and to the essential disadvantage of the communities in which they operate is de-

pendent on the existence of and the level of the tariff under which they operate. Thus we may find reason in the claim that though trusts exist in free-trade England, their power for evil is comparatively small, though far from unimportant."

That the status of trusts in free-trade England is different from that in protective America is evident from the breaking down of the soap trust in England, solely because of popular opposition and a general boycott of its products. Yet it ought to be easier for trusts to maintain monopoly in England than in the United States, because the territory to be covered is so much smaller and combination is so much easier. It is true that in this country the protected interests affirm that the tariff does not promote extortionate aggregations of capital. It is true that the issue is political, and that people will believe about it very much as they vote. It is true that the numerous laboring classes which are employed by the protected interests have a personal reason for taking sides with their employers upon the matter, and thus altering the usual alignment of one class against the other.

But, in spite of these facts, the fundamental condition remains that the tariff was designed to prevent competition from abroad and does prevent it partially, and that it reduces the number of establishments which must come to an understanding in order to establish a working mo-

nopoly. Under such circumstances popular belief in the tariff as the mother of trusts is bound to increase. Here, therefore, is another reason for affirming that there is a new tariff era, that the old days will never return, and that the contest is to be fought upon different lines, with new and perhaps stronger forces brought into collision, with probably better chances for the opponents of the high tariff.

But, again, the list of new forces is not exhausted, though the one next to be mentioned is yet but feebly operative. It is as sure to gain strength, however, as the world is to progress, and therefore it must be counted. Much has been said about reciprocity, and in different quarters the proposition of having maximum and minimum tariffs is advanced as sound national policy. Stripped of its Latin flowing robe, the naked idea is this: "If you favor me, I will favor you; but if you fight me, I will fight you." Our country has had sufficient experience in commercial war to learn the lesson of its destructiveness to both combatants, if we only would learn the lesson. Under Jefferson we had the embargo on trade with Great Britain. Our experience then was sufficient to teach us the folly of commercial war. Indeed, its folly is now recognized more generally than ever. It is safe to say that our business men dread it, and that they sincerely hope that the threat of retaliatory duties, as a club, will be sufficient to

bring an objecting nation to terms. But when it comes to retaliatory duties, we are sensitive, and the small prospect of commercial war with Germany, when that country — irritated beyond endurance by our high tariff which discriminates against the admission of German manufactures to this country — proposed to retaliate against us, proves that we really do not desire commercial war. We hate to lose our trade with Germany, amounting to \$200,000,000 a year. We understand better than our fathers that commercial war, like military war, involves loss, destruction, and international hatred for both parties; that it is a great evil, not to be lightly invited, and that we had better yield some points than refuse to see any justice in the demands of the other nation.

When the French parliament proposed to increase from \$1.50 to \$5 per 100 kilos the duty on cottonseed oil imported from the United States; but to raise the duty to only \$2.80 for imports from those countries which have trade treaties with France, the secretary of the American Cotton Oil Company said,—

“It is plain to be seen that foreign governments are becoming incensed because of the fact that our protective tariff makes it impossible to sell to the United States. The matter is a serious one. The solution of the difficulty lies in a modification of the tariff. Other expedients might

bring desirable results, but they would not strike at the root of the trouble."

That is, we fight them commercially, and they, after long endurance of our hostility, retaliate; and immediately we realize, in some degree, how we should feel if we were in their places. Moreover, we are frightened at the prospective loss of our trade and want to negotiate. We are surprised because we cannot shut out foreigners from our markets and invade theirs at the same time, without a protest on their part. We begin to realize that commercial war would be disastrous, more disastrous than we had supposed before the nations which we attacked made a counter attack upon us; and we desire to reach a friendly understanding. That is the meaning of the talk about a maximum and minimum tariff. This phase of the situation, with its enforced realization that it may be to our profit to reduce our duties, belongs to the new era; and again the effect of the forces in action is against the high tariff.

One further force may well be enumerated with the others which distinguish the new tariff era, though it is but weak at present, indeed, almost unrecognizable. But it is surely destined to become mighty, perhaps the very strongest of them all. That is the force which is making for the organization of the world into one political body. Already this organization has begun

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to take form in the legislative, judicial, and executive departments. One of the leading diplomats of the United States, perhaps better qualified than any other to express an appreciative opinion, says that the prediction of this outcome of present world-activities is true prophecy. Already international bodies have enacted what has become world-legislation in over thirty instances. The establishment of the Hague Court of Arbitration was an act of world-legislation. The codification of international law is a world need, recognized by jurists, and was formally proposed by the Interparliamentary Union for consideration by the second Conference at The Hague. The proposed international prize court promises to be the germ of a true world-judiciary. The executive department of the world has an existing germ in the permanent office of the Universal Postal Union, and other similar germs already exist.

Higher and more august than national sovereignty is the sovereignty of the world as one political body. Progress toward the realization of this ideal has been marvelously rapid since the beginning of the present century, and the time may be nearer than the indifferent imagine when the world will be a true political unit. Then the question of trade will assume the form it has in this country — trade between states, sovereign in some respects, of which the United States is composed. That point of view will reveal the

untenable ground of legislating for particular countries, with hostile intent toward the commerce and industry of all others. It is reasonable to predict that this force in the tariff arena will yet prove to be the master of the situation, before which all others must yield.

No possible doubt can be entertained how that force will develop as a power for free trade. Hence, again, it is clear, not only that we are in a new tariff era, but that this era will be revolutionary. Its outcome will not only be different from that of all previous eras, but the conclusion will be final and will establish for the world trade conditions which will remain permanent as long as the world endures — conditions under which trade will be free.

CHAPTER III

THE CAMPAIGN AGAINST PRIVILEGE

Something there is about the tariff which provokes chronic opposition. Peace is never permanent for its champions. Though they may gain a sweeping victory in a popular election and may seem at last to have converted a large majority of the voters to their views, yet, in a few years, at the longest, the conflict is raging again. Something about the tariff persistently impresses itself upon thoughtful men as unfair to the mass of the people, as a matter of justice, and as unsound, as a matter of public policy. Something about it, too, continually comes up afresh to make the mass of the people wrathful against it, even though they may seem to have been made permanent high tariff supporters by such a calamity as the hard times following the panic of 1893, which was successfully charged upon the Democratic administration by its Republican opponents, and which turned scores of thousands of low tariff men permanently to the high tariff side. But new voters have come forward and again the high prices of an era of general prosperity, which was seriously checked by the depression beginning in October, 1907, have caused a prodigious outcry against the tariff, as

they did in the national campaigns of 1890 and 1892.

One presumption against the tariff stands as a rock in a tide, though it is often completely buried by the rush of waters. It is the permanent and well known fact that the most thorough investigations and studies of the colleges and universities pronounce in favor of unobstructed trade as the wisest policy for a nation to pursue. Protectionists who send their sons to college do not expect that they will accept the teaching of free trade authorities. College graduates who become protectionists renounce, if they cannot disprove, the teachings of their professors. In this field alone, of all subjects of thorough research and reflection, the logical processes of the human mind are deliberately and persistently rejected as worthless, though this is an age when the triumph of mind is most loudly proclaimed. In the United States, the power of wealth, as well as the power of votes, has been on the side of the doctrine of obstruction of trade by a tariff, to the discredit of the human intellect, as illustrated by trained thinkers in this particular field. Probably there is no other instance so conspicuous where the judgment of the expert is thrown aside and the opinion of selfish interests substituted.

But the weight of the tariff profits cannot forever keep the lid of agitation down. The ex-

plosive power of the restrained forces of justice and sound public policy increases by repression, for they are forces which are eternally active in their very nature, and the clattering of the lid which they constantly produce compels the attention of the men who would persuade the public that no other policy is right than that the people should be taxed in order that out of the product of the taxes a portion may be returned to a part of the public, while the tariff beneficiaries retain the remainder.

In the new tariff era a fresh strength has accrued to the antitariff side because of the increasing popular belief that the tariff beneficiaries are a privileged class. This new force against the tariff is not scientific. It is sentimental. It is not asserted, as a part of the presentation here, that this feeling is just. It exists. That is warrant enough for considering it. It may be unreasoning. It may be blind to the true interest of the voters who entertain it. But it changes votes. Therefore it must be reckoned with.

If the country still feels the effect in favor of protection which was caused by the era of depression following the Democratic victory of 1892, it is equally true that the country still remembers, as a partial offset, the notorious "fry the fat" circulars issued by the Republican managers in the campaign of 1888. There is this difference between the situations of those two

presidential campaigns — that Democratic leaders, as well as students of the nation's financial history, insist, with plausible backing of facts, that the panic of 1893 was in no way due to the Cleveland administration, but was the inevitable consequence of Republican errors, especially in regard to silver, and the policies of the Harrison administration, whereas both the republican managers in 1888 and their democratic opponents regarded the protected manufacturers as encased in fat laid on by the operation of laws for which the beneficiaries had paid by previous campaign contributions. To the collectors of the republican campaign fund it seemed to be a fair proposition that some of this excess of wealth should be demanded as a gift in order to keep in office the party which would continue the fat-creating policy. Accordingly the orders were issued to get some of the fat, even if it had to be fried out. That such a proportion of the tariff beneficiaries objected to contributing what the managers thought was a fair sum till they had been put into the frying pan only increased republican contempt, as well as democratic, for that species of citizen, and it helped to promote the belief which exists in both republican and democratic circles today that the tariff beneficiaries get more than their just dues out of the tariff policy.

If they get more than their fair share, it follows that other persons and other classes get less

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of the benefits of the tariff than they ought to receive — conceding, for the moment, that the tariff confers benefits, for this situation does not involve in any degree the issue of the soundness of the tariff policy. For the present only one point is in dispute — the just distribution of the alleged benefits. Facts are not available as much as desired for the settlement of the dispute because the tariff beneficiaries will not give them. It is an inseparable part of their policy to conceal the details of their business, though the entire tariff is based upon benefit to the public, not to private interests, and private interests ought rightfully, when given special privileges by the public, to be made publicly accountable to the last cent regarding the details of their business. Not only have the beneficiaries never proposed to take the public into their confidence, but they resist most strenuously every effort to bring the facts to light. This conduct confirms inevitably the suspicion that the beneficiaries are getting so much more than their dues that they are afraid to let the public see their books for fear that there would be a resistless demand for a redistribution of their profits. So there has been developed an antagonism which tends to increase with the years, and the conviction becomes permanent in the public mind that the tariff beneficiaries are using the powers of the government to increase their private wealth, and that they are

getting so much more than their share of the supposed general benefit of the tariff that they resist with all their strength and craftiness every effort to disclose their secrets.

Still further, this popular belief regarding the unjust favor shown to the tariff beneficiaries — or captured by them for their private benefit — is strengthened by the generally comfortable style of living enjoyed by this class. If, like poor people who must be supported at public expense, this class were kept in institutions managed at the public charge, and were not entrusted with providing for themselves, then popular antagonism would at once subside. But this class, which gets its property by direct intervention of the government, is the most ease-taking of any class in the land. This is the class which has the money which can be fried out. It takes the cream at home, and it enjoys the pleasures of foreign travel far more than most unprotected members of the public. In this way the possession of a fortune the details of whose acquisition, though made by public means, are kept a persistent secret, is flaunted in the face of the public constantly. Some people see and remember. Others forget. Others hope to share the same gain by supporting the tariff policy. The result is mixed. But the fundamental condition is such that the smouldering fire may, at any time, leap into flame under the breath of

financial calamity or in consequence of an outburst of popular wrath against the existence of a privileged class.

It is a timely question today whether a permanent change has not occurred in the popular temper toward the tariff. Events indicate it. President Roosevelt's active antagonism to the law-breaking corporations is a precipitation in concrete form of popular sentiment which has been increasing while it remained in solution until it reached the point where, if the president had not become its representative and champion, it would have turned and destroyed him. Mr. Roosevelt's popularity is due largely to his identification of himself with the popular wrath and to his leadership of the masses against those men and corporations believed to be the oppressors of the public, who, in order to accomplish that oppression, have become criminal, as the public believes.

Class feeling exists in the country today more than ever. It is based upon wealth, not upon birth, for our social system is such that the wealthy are no better born than many of the poor. Nor is it based upon intellectual ability, because it is well known that children of the poor reach as much eminence in genuine power as the children of the rich. Nor is it based upon moral purity or spiritual exaltation, for the follies and scandals of New York, Newport and Pittsburg, which have become a stench in the nostrils of the

nation, reveal a depravity among the rich equal to any vice known to those under the harrow of poverty. Toward this wealth, which is the basis of the present intensity of class feeling, exists today an abhorrence so strong that even men who come into direct contact with it in social circles, who have no occasion for envy, and no personal motive for destructiveness, name it "predatory wealth," and that name and "tainted money" have come to have a current standing because of a popular idea that they tell the truth.

In spite of the labored effort in protectionist quarters to disprove any connection between the tariff and the trusts, and to show that the tariff beneficiaries do not owe any of their fortunes to an abuse of the privilege which the tariff confers, there is still a widespread belief that the disproof has not been conclusive. It is true that political partisanship enters directly into the popular verdict. As the question is inevitably foremost in politics, the voters are materially influenced by prejudice against arguments to confute their respective sides. It is only natural law that the color of the glasses should seem to be inherent in everything seen through them. But facts which are developed in the calms between the storms of the campaigns have their influence in making the coloring of the glasses for the election following. Prices count for arguments in the sober reflection over the bills of the landlord and the grocer. Every four years a new array

of voters marches to the polls to stand solemnly alone with God and a lead pencil, and popular judgment does change from election to election.

For the last few years this change of ground has been against the tariff. It is this change which has converted leaders among the republicans until the existence of distinct wings in the party has been recognized, and until the stiffest protectionists themselves admit that revision must be made, and they only balked at the fixing of a date when the work shall begin, unless it were indefinitely distant. From the well known doctrines of the stalwart wing of the protectionists, it is a fair assertion that they would never have taken this position without a strong popular demand, supported by threats of a revolt within their party. The fact that they concede the point that revision must be made sometime illustrates how they feel the strength of the present campaign against privilege.

What constitutes the real threat of this campaign against the entire protective system is that it is not, in essence, an issue between the republican and democratic parties. Let this be explained briefly, in order to show that it is perfectly consistent with the plausible statement that the tariff is the most living issue between the two great parties. The harmonizing of the seeming contradiction can easily be made.

After the tariff campaign of 1892 and the consequent democratic victory, after the business

depression which continued for a long time following the spring of 1893, after the apparent folly of reducing the tariff was so emphasized by republican leaders that many thousand voters who voted for the revision policy in 1892 will probably never do so again, came the campaign of 1896, with silver as the issue. On their platform the democrats were not only beaten, but were routed. In 1900 the prestige of Bryan and the enthusiasm of the silver men made silver so much the issue that the tariff was no more mentioned than the Jefferson embargo as a subject to be settled by the voters. The Philippine policy of the government, though nominally opposed by the democrats, really cut a very small figure in the campaign.

But by 1904 the tariff was again in sight as a political issue. It was not there by virtue of democratic preaching of anti-tariff doctrine. No one who watched the developments of those years from an impartial point of view could have regarded the democratic leaders as other than opportunists, on the lookout for some rallying cry against the administration. Republican business men did far more than democratic politicians to revive the tariff as a political issue. Meetings of influential representative men in Massachusetts and Iowa, which were the centers of disaffection with the tariff, and a growing unrest on the part of a large number of republican business men, illustrated the truth that there was

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something in the very fact of a tariff which was contrary to the permanent prosperity of all industries and all business impartially, something which could not stand the test of the common sense of the men who were at the focus where the tariff forces converged with their most energetic action. "Something is inherently wrong with the existing tariff as a permanent proposition," was their conviction, and it was by this business force back of the agitation, not by democratic leadership, that the tariff rose again to view as the most urgent political issue of the day. Then, when this fact was recognized, the democrats seized upon it as their old-time principle and made it the great issue in their platforms. But if the tariff had not caused republican dissension and had not threatened a serious split in the party, of large importance to the democrats politically, it would have sunk out of sight as an issue and would never have been heard from again. Were the tariff what it proclaims itself to be, were it a genuine promoter of wealth in excess of any other policy, were it impartial in its distribution of its benefits, did it appeal to the sense of fair play of the mass of the voters, it would long ago have ceased to arouse opposition. Old-time opponents would have admitted the facts, have confessed their mistake, thanked the tariff men for their patriotic perseverance till the truth had been established, rejoiced in the country's prosperity in spite of themselves, and

would have turned thought and political energy to issues which were really vital.

How the country acts when it is upon the right track in dead earnest needs no better illustration than in the status of the tariff issue under the low tariff policy which prevailed just before the civil war. Under the low duties there was a marked development of United States industries. The nation was satisfied with the tariff conditions to the extent that the tariff was no longer a political issue. It seemed to have sunk out of sight forever. Nothing but the exigencies of the government during the civil war, seeming to compel the raising of revenue in every possible way, led to the revival of import duties under the name of protection. Tariff beneficiaries were quick to seize the opportunity to make the most of the necessities of the war and such a foothold was secured by them that the tariff policy became identified with the republican party during the period following the war. But the ante-war experience illustrates how a right tariff policy takes the tariff out of politics, while recent occurrences prove how a wrong policy keeps it always in politics. So is reached the explanation of the paradox that the tariff is today in politics because it is not a political question; that is, it is a greater issue than the politicians comprehend.

Being, therefore, a question, in the very nature of the case, which will be a public issue until it is settled right, it is bound to be persistently and

aggressively to the front unless some temporary acute question, like the silver controversy, overshadows it. But it cannot be permanently smothered or lived down until it proves its nature as a public benefactor, and the constant revolts against it by the very men whose party supports it illustrate the presence of a factor which impresses even the friends of the tariff as unjust and impolitic.

This campaign against privilege, therefore, is based upon permanent conditions which affect the popular mind. It has now the powerful reinforcement of the official head of the party which holds the government offices. All the strength of the Roosevelt administration, with the financial resources of the nation at its back, was put forth in a contest which is identified in the popular mind with resistance to special privilege gone to the extent of criminality. It is a new status for the tariff beneficiaries, and strenuous efforts are made to prove that the tariff has, and can have, no possible causative connection with the existence of this criminality which President Roosevelt was determined to punish. The beneficiaries have not yet convinced the public that the tariff system is not involved in the acquisition of wealth in violation of fair play for all the people. As the law stands, it creates a favored class, and it is for the favorites to show that they are such only in name but not in fact. Present conditions make the demonstration dif-

ficult. It is doubtful whether a majority of the people can be persuaded at all. Never before was this issue so acute before the people. In this respect, therefore, the country has entered a new era of tariff agitation with a fresh and strong reinforcement for the opponents of the high tariff.

CHAPTER IV

COUNTRYMEN SACRIFICED FOR FOREIGNERS

At the head of the energetic propagandists of the high tariff gospel stands the Home Market Club. Its headquarters are in Boston, and its membership includes, or has included, nearly all the leading manufacturers in New England, besides some in other states. Whatever personal motive may put the energy of private members in operation, there is no doubt that the official documents and arguments of the club are prepared by its honorable secretary with a conscientious devotion to the tariff as a principle. In the very name of this stronghold of the tariff theory is a demonstration of the distance which the country has moved from the conditions prevalent when the name was the one fit and peculiar catchword to crystallize the issue then uppermost in contending minds. Today that name stands like a stake by the edge of a glacier, showing beyond dispute how the slow mass of public opinion, seemingly rigid and motionless, has advanced since that stake was driven. "Home markets for American goods," "Keep the home market from foreign invasion," "Our home market is rightfully ours and it is unpatriotic to surrender

it to foreigners"—these were the appeals made to the voters, and these were the demands of the manufacturers at that era in our tariff agitation. These appeals and these demands were successful. But conditions have changed. Not only do the United States manufacturers hold the markets of the United States, but they are exporting largely to foreign countries. Every nation witnesses the enterprise of United States consuls in investigating the conditions of local trade, and for years there has been publication by the United States government of the reports made by the official representatives of the people of this country in all countries of the earth regarding the kinds of goods for which there seems to be a particular opening at any specified place. In general, the United States consuls abroad seem to be more the business agents of manufacturers with goods to sell than the political and diplomatic representatives of a people with other purposes toward friendly nations than exploitation for commercial profit. In Massachusetts, for instance—and it may be the fact in all other states—these consular reports to the national government have been read carefully and extracts have been printed at state expense by the Bureau of Statistics of Labor in order that Massachusetts manufacturers, at the public charge, might be put in possession of facts for their private profit, on the theory that the supposed distribu-

tion of the profit to the people would be more than sufficient to pay the taxes caused by the publication.

Again, whatever the political or missionary explanations offered after the fact to account for the war made by the people of the United States upon the people of the Philippine islands, the true cause of that war was the anxiety of the commercial interests in the United States, which controlled the political situation, to secure in the Philippines a foothold for trade with China, whose vast empire, supposed to be an exhaustless market for United States manufactures, was then threatened with dismemberment and exploitation by the great buzzard nations. That this was the real reason why the United States took the entire Philippine archipelago was asserted on the floor of the United States senate, after the treaty was made, by Senator Cushman K. Davis of Minnesota, chairman of the commission on the part of the United States which made the treaty with Spain in Paris in the summer of 1898. A similar statement was made in a public speech in Chicago, after his return from Paris, by White-law Reid, another of the treaty commissioners. Mr. Reid said at the Lincoln dinner of the Marquette Club, February 13, 1899: "Would you have had them (the commissioners) throw away a magnificent foothold for the trade of the farther East, which the fortune of war had placed in your hand; throw away a whole archipelago

of boundless possibilities, economic and strategic; throw away this opportunity of centuries for your country? . . . They neither neglected nor feared the duty of caring for the material interests of their own country; — the duty of grasping the enormous possibilities upon which we had stumbled, for sharing in the awakening and development of the farther East.” And he enlarged much upon the trade possibilities.

These official facts, besides others and in addition to the habitual policy of the manufacturers of the United States in recent years in extending their foreign markets, illustrate the complete change of conditions from the time when the salvation of the home market was the rallying cry of the anxious protectionists. A permanent change has occurred in the situation. It is the imperative demand for wider markets which has made the dissension within the republican party. Realization of the truth that foreigners cannot buy from us unless they have something to buy with — that is, unless they can sell to us — is at the bottom of the irrepressible demand for reciprocity treaties. This is the meaning of the constant energy in the demand for closer trade relations with Canada. It is the explanation of the disturbance over the outlook that there would be retaliation against us by Germany. It is the bottom of our arrangement regarding trade with France. It is a factor in our commercial intercourse with every nation whose markets are con-

sidered valuable enough to be desirable. This is the truth which has made pliant the rigid wills of the standpat protectionists who, in theory, could never see a time when the tariff should need revision, so that now, in political practice, they admit the necessity of making changes in some of the schedules. Old conditions have passed away. Home markets, as the chief issue, are out of sight and out of mind. Capture of foreign markets is the urgent necessity today, and a new tariff era is here.

But this new era has brought a new and grave peril to the tariff. It witnesses the sale of goods manufactured in the United States, under the protection of the tariff, to people of foreign countries at lower prices than to the people of the United States. Now, the tariff is maintained solely on the ground of public benefit. Profits to private persons, whether partners or stockholders, are permitted by law at the expense of the taxed purchasers of the goods made by these partners and stockholders only upon the theory that there will be more than compensating return for the taxes. But the most direct return conceivable to the public is a reduction in the prices of goods. That is the one specific, particular point at which the public ought to be benefited. When, therefore, it becomes notorious and well demonstrated that the protected manufacturers are not selling goods to their fellow countrymen as low as they sell to distant and unknown for-

eigners, then there arises a public clamor against the protected interests that the taxed people of the United States are sacrificed for the benefit of the untaxed people of foreign countries. This clamor is natural. It is inevitable. At first sight it seems reasonable. To the average citizen who has not heard the excuses of the protected interests, or, having heard, is unconvinced, it seems very mean that a United States manufacturer should spend money for campaign contributions to the republican party, should pay fat fees to the lobbyists at Congress, and should put taxes on his own friends and neighbors under the pretense that allowing him to do so would be for their direct and perceptible pecuniary advantage, and then, when he had the power and the opportunity, he should make lower prices to people he never knew and should refuse to lower them to friends and neighbors at home.

This is a maddening proposition to the people of the United States. What makes the case worse is that the practice of underselling to foreigners is concealed as far as possible. When the fact of such sale is established, the proof is resisted in every way. When the fact must be finally conceded, then the excuse is offered that the policy of foreign underselling is the only one possible whereby business can be done at home. It is only the excess, it is excusingly said, which is sold abroad; if it were not for the profit made on that the factory would have to be closed and

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then the United States people would be at the mercy of the monopolistic foreign manufacturer. But still the public cannot see why, as a matter of mathematics, the expense of putting the goods on the retail counter cannot be made everywhere uniform, with due regard to cost of transportation and other necessary charges, and no discrimination be made against those who are nearest and are taxed for the benefit of those who are remote and are untaxed. On the face of it, the explanation does not explain. The public replies: "Your total outlay is so much. To cover that, plus a fair dividend, your income must be so much. A uniform retail price, at such a figure, will yield that income. Why is not that retail price uniform?"

A pertinent and timely illustration of the effect upon the popular, unfavored, public mind by the operation of the tariff for the benefit of foreigners at the expense of our citizens is seen in the adoption of the following resolutions by the National Grange:

Whereas, For the protection of our American manufacturers it has been deemed necessary to place a tariff upon various articles of import, and

Whereas, The tariff upon many articles has resulted in the building up of gigantic monopolies, by stifling foreign competition and enabling large American manufacturers to sell their goods cheaper in foreign countries than at home, at the expenses

of American agriculture and many lesser industries. Therefore, be it

Resolved, By the National Grange in Hartford, Connecticut, assembled November 13, 1907, that we believe that the general welfare of the country demands an exhaustive and thorough tariff revision, and that the tariff be removed from every article that is being sold in foreign markets cheaper than at home.

Resolved, That we urge upon the members of the Grange throughout the United States to take speedy action and to use every influence at their command to secure the carrying out of the sentiments of these resolutions.

This issue is one of the new ones in the tariff agitation. It has been brewing for a long time, but has only recently become acute. As long ago as 1886, when Oliver Ames, the shovel manufacturer of North Easton, was running in the campaign which landed him in the governor's chair of Massachusetts, or in a campaign nearly as far back, it was brought out by the opposition that the Ames shovels were sold at one price on the bank of the Rio Grande in Texas and for a lower price just across the river in Mexico. An attempt was made to influence votes by exposing this practice of selling home-made goods to foreigners, because they were foreigners, at a lower price than to people at home because they were citizens of the United States, under its tariff laws, and unable to protect themselves. But

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nothing ever came of the attempt, and now the policy of underselling to foreigners has become a recognized practice on the part of the protected manufacturers of the United States, secret, if possible, but followed constantly, whether secret or open.

In some instances this underselling to foreigners results in serious discrimination against the customers in the United States. For instance, when the steel trust sells abroad at a price materially less than it does to its customers in the United States, it gives just so much advantage to foreign manufacturers of articles in whose making steel and iron enter as raw materials whereby the foreigner is enabled to undersell the manufacturer in the United States. In general, articles which are used as raw materials in manufactures which are made abroad in competition with our manufactures, when sold abroad for less than the price here, enable foreign manufacturers to bear hard upon our manufacturers and tend to drive them out of business. This is a phase of the tariff situation today.

Two lines of consequences may be reasonably predicted from the new conditions. The first is that relating to the United States and to national politics. In making any forecast, however, it must be remembered that, practically, the forces in operation are numerous, complex and, in part, at least, obscure. Premises may not be followed by apparently logical conclusions because the

activity of other forces changes the result. Within the United States the effect upon national politics of selling to foreigners at a less price than to the people of our own country seems sure to be positively adverse to the tariff system. This is so, for one reason, because the protected manufacturers make such an apologetic defense. They assume such an attitude as to make the people suspicious that the charge is true, for they seek either to cover up or to excuse their deeds. On the face of it, they realize that it is a bad case for them. Their own common sense takes the same ground as the common sense of the unprotected purchasers of their goods, and they know that unless they can explain away the surface aspect of the situation, the tariff will be knocked to pieces and they will be left to conduct their business upon its merits without the backing of the government in putting a tax upon the goods which are imported in competition with theirs.

This initial attitude of secrecy, apology and excuse on the part of the manufacturers when they are first held up to the wrath of the public goes to confirm the current belief that here is a way of doing business which does not give fair play to the people of the United States. Hence here is operative a force, wholly independent of the fundamental principles of international trade, which makes for the overthrow of the present tariff conditions. It is not a scientific argu-

ment. It is only a protest based upon universal human nature. It is a demand for fair treatment. It is an assertion of equality for home purchasers with foreigners. It does not involve the least hostility to foreigners. Still less does it demand that our manufacturers shall discriminate against them and in favor of the people of the United States, though such a demand might be made plausibly and reasonably in view of the fact that only by taxes upon the people of the United States are the manufacturers able to do business at all, if their own estimate of the imperative necessity of tariff protection be accepted as correct. It is only a protesting, resentful demand for plain, decent treatment, as good as foreigners get, and no better. If it is not given, it will go hard with the tariff.

In the second place, this practice of underselling to foreigners has consequences for international trade. Here is a bearing even more important than its weighty effect upon the political situation at home because this extension of trade may prove historically to have been the opening of an era and the inauguration of methods which will logically and inevitably result in the complete destruction of the tariff wall and in the formal abandonment by the nation of the entire system of supposed protection to industries in the United States.

Let the affirmation be made here that it has not yet been demonstrated that it is necessary for

United States manufacturers to sell to foreigners more cheaply than to the people of the United States in order to build up foreign markets for their goods. Manufacturers seem to have assumed that it was good policy to put prices low in order to catch custom, trusting to their power over republican legislators by campaign contributions and by the Washington lobby to maintain the tariff and the existing prices at home. Doubtless this has been good policy, if they are willing to take the risk of the wrath of the people and the loss of tariff shelter. At any rate, they are to be credited with shrewd sense in building up foreign markets.

Now this second branch of the subject subdivides itself into two—the home effect and the foreign, saying nothing further about the underselling to foreigners, but going on to see what will be the logical outcome of the foreign trade based upon the underselling. United States goods, let it be conceded, as a consequence of the underselling, have captured markets in all parts of the world. Foreigners want our goods because they can be produced and delivered abroad cheaper than the natives can make goods which will supply the same needs. Tastes have been developed, wants have been created, fashions have been set, which were unknown before the advent of goods from this country. Constant demand exists. But purchasing power is limited. Natives of these countries say: “We would like

to take many more of your goods, but we have not the wherewith to buy. We are not rich like you. Nature has blessed us with certain advantages, but our capital to develop them is limited. Besides, if we have anything which we can produce profitably, but which anybody in your country desires to produce also, even though it cost much more than it would to buy of us, he bestirs himself to have a tax put upon your own people and a wall set up against the importation of our product. We cannot raise money wherewith to buy your goods. Therefore we cannot trade with you, much as we should like to do so. If you will take down your tariff wall, so that we can sell to your people at a profit, then they will get our products cheaper than their home-made goods of the same sort, and you will have a larger market for your manufactures of the sort which we can buy of you cheaper than we can produce ourselves."

In the United States, therefore, the effect of this extension of foreign trade will be to cause a change of view on the part of the manufacturers themselves. Those manufacturers who trade with foreign countries and who foresee the development of the foreign market to make up for possible shrinkage of the home market will soften the asperities of their tariff principles and will cast about them for such a change in the percentage of duties as will enlarge their foreign market by increasing the purchasing power of their for-

eign customers. In this way, the protectionist camp will be divided in itself, and this is the very process which is actually going on today before the eyes of the country in consequence of the changed relations caused by the partial opening of foreign markets to United States goods. In all this process the dollar is the only argument. Patriotism, fair play for the people of the United States, fair play for foreigners, the spread of democratic institutions, or salvation through the gospel, are as inoperative forces in this revolution of the tariff situation as the precession of the equinoxes. The dollar does it all, and does it well.

The second part of the second branch of the consideration of tariff conditions based on underselling to foreigners relates to the effect abroad. These effects are complementary to those just referred to as produced at home, and these two sides, taken together, constitute an international status out of which may come the final solution of the entire tariff problem. In this respect, therefore, the era of underselling promises to be of large historical consequence. This final solution which is foreshadowed by the present situation is the complete, definite and official abandonment of the tariff system on the part of the people of the United States. For the comfort of those who hold firmly that it is a money-making policy for the people to tax themselves to support an infant industry until it is

able to walk alone, it may be interjected here that the course would remain open of protecting the infants by direct cash allowances, or by other equivalent devices. But that international trade can be permanently crippled and the creation of vast wealth be persistently prevented by obstructions when both sides demand their removal, seems to be impossible. The direct consequence of the extension of trade between nations, judging by the effect upon the manufacturers of our own country, will be to produce on both sides a demand for the removal of all possible obstacles in order that trade may be as large as possible. With such public sentiment on each side, it is inevitable that such an artificial and easily removable barrier as the tariff — in our country and other countries also — should be removed wholly out of sight.

We are having today practical illustrations of the mind-opening effect of the world extension of trade on the part of the manufacturers of the United States. This is due, in part, at least, to their efforts to capture foreign markets. On both sides of the ocean the manufacturers and merchants are coming to see the mutual advantage of a larger exchange of products. More than this, it is not only a mere personal profit to the parties directly interested, but a larger market and more profit to the nations as a whole. Already these new conditions are operative in the United States and foreign countries, and a new

era of international trade has evidently begun.

World conditions are being established on a new basis. What is true of any two nations in their relations to each other, as far as unrestricted trade is concerned, is equally true of each in its relations to each of the others. In other words, present trade tendencies open the minds of all nations to more liberal policies. Perhaps the United States will take the lead. In any event, the underselling by United States manufacturers to foreign purchasers has in it prodigious consequences for the tariff system, and men of liberal views can contemplate the outcome with deep satisfaction, foreseeing the end of the tariff of obstruction.

CHAPTER V

OBSTRUCTION'S CHALLENGE TO SCIENCE

Protectionists object to the teachings of the colleges in favor of free trade and say that political economy is not an exact science. Truly, here is a marvel. Here is affirmed to be a field where there is an exception to the general truth that law works at every point of space, at every moment of time. It is declared that here is an aimless and resultless groping around of forces without orderly procedure, regardless of the uniform sequence of cause and effect which is found elsewhere in the laws of matter and of mind without exception.

But suppose that the denial of exactitude to this science be qualified by saying that it is not now an exact science, but will become such when men discover its laws. At present the denial is based upon the ability of the opposing sides to enumerate many alleged facts to contradict the enunciation of law by the other side. But that does not make against the validity of an exact science. Science is knowledge of law. Facts, by themselves, are no more science than a pastureful of stones is a stone wall. No aggregation of facts, with nothing but facts, can make any approach to being a science. No science is

dependent for its existence upon the facts which illustrate its laws, but the facts must conform to the laws as helplessly as a car must go when a locomotive pulls it. Some sort of law must be back of every fact which ever existed, or ever will exist, and knowledge of the law which produced the fact will be science.

Ability to produce many facts which seem to contradict an affirmation of law is no certain proof that the law does not exist. It is easy to array many facts to show that the law of matter which is manifest in gravitation does not exist. In addition to the events of everyday life which every observer notices, such as the ascent of smoke and vapor and all sorts of particles floating in the air, more marked disproof can be found. For instance, it is an observed fact that when the crust of the earth cracks open and a fair chance is afforded for hot stones and rocks below they fly up with great force. Therefore it is a law of nature that hot rocks and stones from the bowels of the earth fly upward, thus disproving the law of gravitation. Of course the argument is not complete until it is learned whether the rocks and stones ever come down. In the same way, it is inconceivable that there should be a fact in the field of political economy whose law of being contradicts any other law whose existence has been conclusively demonstrated. It may be that political economy, as a science, in its present development, cannot explain all the facts

in its field, just as there are facts in physics whose law of being is not yet fully comprehended. But to affirm that therefore the field of political economy is inherently and hopelessly unscientific, a chaos and abyss for the reason of man, is as unreasonable and as unscientific as to affirm that there are no laws of physics because some facts have not been classified under their law of being.

Facts are dead things which lie helplessly where they are put. The living mind sees in them illustrations of forces once active which made them what they are. Those forces were the principles or laws which were in existence before the facts and which will continue equally operative after they have made the facts, for an indefinite future, as long as the earth shall exist. The living mind, brooding over those facts, endeavors to find in them the explanation of what made them, and it will not be content till it has accounted fully for them.

Obstructionists, therefore, who approve interference with freedom of trade, when they deny that there is an exact science of political economy and yet affirm the validity of the principles which they profess, merely proclaim that the laws as the other side sees them are not laws at all, but that their own so-called laws are the real and adequate laws to explain the facts. Contradicting themselves, therefore, when they deny the existence of a science of political economy, they

affirm that there is such a science and that they alone, of all men, know its laws.

It being impossible, in the nature of the case, therefore, to avoid the affirmation that there is a science of political economy, and the dispute really turning upon the question which side has the correct understanding of the laws, the end of the dispute can be established to the mind of the world only by such a setting forth of the principles, or laws, as shall so accord with the common judgment regarding the natural order of things, (because there must be harmony of all laws which the reason of men can comprehend) as to make one side or the other seem contradictory and absurd. Doubtless the largest array of facts which are explained by the theories which are now in contradiction will influence the mind of the world in accepting a conclusion, but the facts alone cannot lead to a decision. Reason, on higher grounds, must be the final arbiter. The battle of facts has raged furiously many scores of years without silencing either side. It might rage with equal fury and bitterness to the end of time. Facts cannot convince. Principles can.

Now, the laws of trade are laws of mind. They are not laws of matter. When it is stated, as a law of gravitation, that it acts directly as the mass and inversely as the square of the distance, matter alone determines the direction and quantity of the force which is exerted. But when it is stated, as a law of currency, that a bad coinage

tends to drive out a good coinage, the law does not inhere in the metal, but it is in the human mind. That law may be propounded in these words: "Men get as much as possible for as little as possible," or, "the attraction of wealth upon the human mind varies directly as its quantity, the conditions of attainment being equal." That is, men make as good bargains as possible. That is good common sense. The standard of the good and bad coinage being nominally the same, men will give an inferior coin for an article priced by it, and keep the good. It is a mental operation and the law is absolutely and justly operative when it has the field to itself. It is a law which is at the basis of all activity for a livelihood. It inspires all inventions. It compels all transportation of products. It is the life of trade, and without it trade would be chaos. Unregulated by regard for the rights of others, it results in frauds, robberies and murders. It is affirmed by reason, which is law in mind, which is law of God. Reason says that it is wise to get as large returns for effort as possible and that any other course is folly.

Trade has only one object — by exchange of articles to get more value in one's possession than he has before trading. Transfer of goods in the direction of the consumer is what is meant by trade in this connection, not a mere speculative swapping of property. There may be direct barter; there may be a common measure of value

by the use of money. But the essence of the matter is the exchange whereby the consumable article goes on its way to the consumer. In the possession of each party to every reasonable trade the article traded for is worth more than the article originally in possession. Real wealth is created by trade. That is, the distribution of products, bringing them nearer to the consumer, adds to their real value. That seems simple and fundamental beyond dispute.

To add a corollary of this position, it follows that if a trader takes an article where it has the least value and distributes it where it has the most value, he will make the most profit for himself and will add most to the wealth of the world. That seems to be simple mathematics. That is the substance of the proposition at the root of the protest against obstruction of trade. It is familiar, and is brought out here only to emphasize how the contrary doctrine puts trammels on trade all over the world and prevents the development of wealth in every quarter which has cheaply produced goods to sell or has imperative needs to be supplied. Such trade is precisely in accord with the general principle of common sense that the most net gain is to be made by giving as little as possible for as much as possible.

But when traders undertake to act upon that universal principle all over the world, the obstructionists come forward and say that if this

trade is prevented they will show a way to make still more profit. That is the issue which obstruction throws down before science based upon the law of trade, which is a law of mind.

Right at this point the battle of facts begins. Having secured governmental action and put obstructions in the way of trade, the issue for all subsequent time is whether the policy has succeeded to the extent of making more property for the country than would have been made without the obstructions. Obstructionists point to the property created under the obstruction law and claim credit for their policy accordingly. Those who oppose obstruction point out that certain industries have been destroyed by the imposition of burdens upon them under the obstruction policy; they point to the accumulation of wealth by the favored few; they show that special privileges are enjoyed at the expense of the many. Fact is arrayed against fact. Such a contest can never reach a conclusive determination, for reliance is upon facts alone. It is only when the sunlight of principles illumines the facts that the mind is convinced, and that illumination comes through the mists of personal interest, prejudice, avarice, envy, passion and of partisan politics till it is evident that a clear understanding of principles will never be attained. Clouds of personal motive will affect the action of the people, and may determine their voting, but

principles will doubtless be found the decisive factor in the dispute.

What shall decide between obstruction and science, then, is the question in this protracted battle of the facts regarding the tariff? Some law superior to the facts must be discovered whose demonstration will make counter claims ridiculous to the fair minded. That is the status of the controversy today, with obstructionists asserting that the scientific attainments of reason, as illustrated by college teachings, are absolutely at fault.

Now, to turn back in order to carry out the thought proposed above, let it be noted that the science of a particular field of activity is the knowledge of the law in general which is supreme in that field, and of its laws in particular. Let it be understood more clearly in detail that the laws of trade are laws of mind. Take the law of supply and demand, for instance. There is no law of the vegetable world which makes potatoes grow when men want to eat them, or to speculate in them. There is no law of chemistry or mechanics which brings ores from the earth to the top of the ground when men are in straits for them. No law of nature bears upon trade otherwise than by action through the human mind. In the strict sense of the term there is no science of wealth — a term which has had wide currency and is sometimes given as a definition of political

economy. The real thing which is the subject of the science is the attractive power of goods upon the human mind. If the blind and awkward term of "political economy" is dear to many thinkers, let the definition stand in these words: "Political economy is the science of the attractive power of goods upon the human mind."

"Goods" in the definition includes everything for which man will give property or money, whether tangible or intangible, for men give money for education, for religious consolation and for purposes at the other extreme, and the intangible talent which renders the service has its market value and therefore has a money price and is a factor in financial transactions. Whatever men do not have, but want and will give something for comes into the field of consideration, and it is true that even the price of the soul of the corrupt public official who sells favors for money, in violation of his trust, comes within the field of political economy in its widest use.

The human mind operates under law. Human needs are caused by the operation of law. It is no more a conclusive objection to the existence of a science of political economy that free wills are concerned and that the facts are exceedingly complicated than it is a conclusive objection to any science of physics that the facts about the weather are exceedingly complicated and that an exact science of the weather has thus far been

utterly impossible for the human mind to attain. In both the realms of weather and of political economy there is no confusion whatever, but only extreme complication, beyond even the imagination of men to conceive. There is a vast difference between confusion and complication. In the case of the weather, with all its seeming vagaries and uncertainties, there is the absolute, precise reign of physical law at every point of space at every moment of time. There is the widest possible field for an exact science, and the failure to attain it by no means disproves the supremacy of physical laws. In a similar way there is law in the human mind whenever it makes an effort, through exertion of the body or otherwise, to obtain goods. Law in the mind is converted into action by the will, but the attractive power of the goods, offset by the difficulty and cost of getting them, makes a reign of law which is decisive of the resulting facts in every presentation of goods to the mind.

This definition of what political economy is does not suffer from the fact that the physical existence of quantities of goods is a factor in the conditions of trade and of human activity to get goods. Of course the products of human hands enter into the case, and physical effects produce mental consequences, but none the less are the laws of trade laws of mind. Supply and demand, the rate of exchange, prices of goods, rates of wages, the relations of good and bad currency,

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the apprehension of poor crops, fear of war, the disturbance of elections, the fashions, public prejudice, the rate of interest, or any other consideration whatsoever, analyzed to its essence, is a mental activity or state and the science of political economy must deal with the laws of mind and with the conditions which produce mental action.

Now, as far as there are claims to a scientific basis for activities in this field, it is a general truth that the teaching in the colleges and universities is that obstruction of trade is a bad policy, tending to check the prosperity of the people in whose way the obstruction is put. Whatever exceptions exist to this general fact only emphasize the almost universal testimony of this science as far as it is a science, that any policy of trade which obstructs the free exchange of products tends to diminish the wealth which otherwise exists.

Let the further point be made, in order to run this truth down to its simplest form, that science differs from other forms of knowledge only in being more thorough, more accurate and more classified. But it is just the same sort of knowledge in kind. A man who is a scientist in medicine cannot be a scientist in metals, stars or earthquakes, because he has not time enough to be thorough and accurate in all fields. But his knowledge in the unfamiliar fields, as far as it goes, is of the same sort as his knowledge in his

particular field. That is, science, in essence, is just the same as common sense.

Now we see more clearly the bearing of science upon the obstruction theory of trade. Professional science, in this case, is supported by the universal common sense of all the world, that it makes an object more difficult to get if an obstruction is put in the way of getting it. On the face of it, therefore, not only does the obstruction theory fly in the face of so-called science, but it is an affront to common sense also, and it would seem as if, when it is submitted to the common sense of the voters, it would be promptly rejected as too absurd for a moment's consideration.

What, then, is the reason why it is not so rejected? From the history of the obstruction policy and of the campaigns which have been fought over it, no other explanation so well accords with the facts as that the obstruction theory makes a most plausible promise to the people, and the people believe it. This theory does not dare to stand up and squarely deny that putting obstructions around an object makes it harder to get, but it says: "Give me a chance for a term of years, and I will develop such conditions, if the people are not permitted to buy elsewhere, that I can give them goods cheaper than they can get them from others." That is the ground upon which the obstruction theory has come before the people for more than a hundred years

and asked them to give it trial and further trial and further trial still. At every point it is a promise, an unredeemed promise, and nothing more. For it has never reached the point where it is willing that the obstruction shall be removed. Until that point is reached, it confesses that it has not been able to establish a permanent condition so that lower prices are insured in the country which has suffered from the obstruction, in case the obstruction is removed. Present-day obstructionists demand that the obstruction be made perpetual and so they confess the failure of their theory, when it is taken at its real value.

No doubt being possible, to the common sense of the nation, as to the effect of putting obstructions in the way of trade, when the issue is presented in its bald form, the practical question now before the people is how long they will be satisfied with a theory which rests upon a promise and a promise only, a promise which has never been fulfilled, which today is as purely promissory as ever and which offers no more prospect than it did a hundred years ago that it ever will be kept. How much longer will the common sense of the nation be satisfied with unfulfilled promises? The promise is to perform a feat which, in its very essence, is repugnant to common sense. Only by letting their common sense be imposed upon have the people been led to tolerate the obstruction policy at all. The situa-

tion has now reached a stage where some of the people will surely say that forbearance has ceased to be a virtue and that it is high time for common sense to return to its supremacy.

CHAPTER VI

INJUSTICE OF THE TARIFF

We build our tariff discussion on the principles, deeper than human constitutions or laws, which are set in the light by the Declaration of Independence, that: "all men are created equal; that they are endowed by their Creator with certain unalienable rights; that among these are life, liberty, and the pursuit of happiness."

Article I of the "Declaration of Rights of the Inhabitants of the Commonwealth of Massachusetts" says: "All men are born free and equal, and have certain natural, essential, and unalienable rights; among which may be reckoned the right of enjoying and defending their lives and liberties; that of acquiring, possessing and protecting property; in fine, that of seeking and obtaining their safety and happiness."

Necessarily, government in a democracy must be by the majority, in the ultimate analysis, for that a minority should govern a majority is incompatible with the theory of popular government. One principle of action is frequently expressed by the phrase "the greatest good of the greatest number," which may be nonsense and surely means gross injustice as some seem to understand it. Though a majority must govern, and though the welfare of the people as a whole

must be the aim, yet there are sacred bounds which even the sovereign authority of the people must not overstep. Those bounds are set by the principles above quoted. Pretended welfare of the whole can never justify the oppression of a part. Rights, sacred and inviolable, inhere in every person, and no pretense of public good can destroy them. Neither weak persons, nor small communities, nor the less important states in our Union, can be sacrificed rightfully for the benefit of the stronger and wealthier. In every person, every community, and every state, however powerless against the strength of the mighty majority, inheres the right to life, liberty and property, as set forth in the alphabets of our liberties.

It is true that the Constitution of the United States permits the enforcement of tariff laws. But the constitution was man-made, and however much we admire it for its general fidelity to the principles of human equality and to the sound policies of administration, yet, when it does not rise to the height of the truths and rights which inhere in the very nature of men, then the constitution ought to be changed. Amendment must be made where the constitution fails to be true to human rights, as revealed by the brighter light we have compared with the light which shone for the framers of our form of government. So the discussion is not only not closed, but is not really affected by any provision of the constitution.

In this particular case amendment of the constitution is not necessary for reform, for the country is at full liberty, at any time, to drop the tariff system and to collect its revenue by other means. The sole point here, of importance, is that the permission of violation of individual rights by the constitution does not justify that violation, nor redress it, still less sanctify it.

Affirmation is made here that the tariff violates the right of every individual to equitable standing before the laws. One of the fundamentals of a democracy is that taxation must bear upon all citizens impartially, according to their ability to pay, and that there must be absolutely no discrimination.

First, upon that point, the tariff is at the moment of collection, a tax upon the public for the benefit of the industries supposed to be protected. The effect, and the designed effect, of the tariff is to raise for the time being, at least, the price of the goods produced at home so that industries which could not otherwise engage profitably in business with foreign competition, may, by means of the higher prices, continue their activity at a profit. But this system is in direct violation of the principle of justice in taxation for all the people equally. By means of the tax, part of the expenses of the government are paid. The money comes out of those who use the articles protected. To the extent of their contribution,

the remaining portion of the people have their taxes lightened. This is a serious discrimination and amounts to hundreds of millions of dollars every year. Against this unequal taxation all users of protected articles have a right to protest. It is their right and it is due to them that the discrimination cease.

But, suppose that the proposition of some tariff supporters is admitted, that the foreigner pays the tax. It would be a fair challenge to ask that the proposition be demonstrated as applied to goods made in this country. But, for the moment, concede the impossible. Then, the tariff argument runs, as long as the tariff is continued, after the system has had its perfect work to develop home competition, the prices of home-produced goods to the home users are less than they would be if the users were at the mercy of foreign manufacturers and foreign combinations of trade. Taking this argument at its face value, then it is true that vast expense is incurred in maintaining protection in order that the benefit may be enjoyed by the users of the protected articles.

On whichever leg the tariff men stand, therefore, whether the user pays the tax or the foreign manufacturer pays it, the burden or the benefit goes to the users, and goes according to the amount of goods used. On whichever leg the tariff men stand, the system applies only to a portion of the people. If the users pay the

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tax, then they are unjustly taxed while other taxpayers are correspondingly relieved. If the foreigner pays the tax, then the system is for the benefit of the users, while the remainder of the people have their taxes increased by the very large sum which the system costs every year. Injustive is therefore inseparable from the tariff system, in its very nature.

It is true that theories are confused and distinctions are hazy regarding the subordination of the individual to the welfare of the public. It is true that the nation asserts the right, and the people gladly accord it without resistance, to take even life itself when needed for the defense of the country, and there is no thought of a demand against the nation for the value of a soldier killed or dead from disease. But it is also true that such times are rare and are always regarded as emergencies. Our constitution does not permit the public to take a man's property and divide it among the remainder on the ground that only one would suffer, while all others would gain. If it is unjust to do that, then it is unjust to tax a minority in order that a majority may gain, and the argument of the greatest good of the greater number — measured by financial standards — becomes utter nonsense. Rights are first to be considered and our constitution is so jealous of rights that the property of every man is protected by all the sacredness of law and by all the military strength of the government.

But the tariff man may try to justify the apparent injustice by saying that, in the long run, the benefits of the tariff are equally distributed so that all taxpayers share alike and therefore the system should not be condemned. That is, here is a proposition that there be permitted, under all the strength of the government and its power to compel obedience to law, the accumulation of property in the hands of certain classes in the community on the theory that it will be equally distributed to all. In the first place, there is not the slightest machinery for such distribution. Nobody has ever provided for it. No law has touched the subject. No estimate of the accumulation has ever been made. No watchful official, jealous to see that the weak get their full share with the strong, has ever been charged with the enforcement of this ideal justice.

Money, collected by protection of the government, goes into the pockets of manufacturers without the slightest supervision by representatives of the people to see that it is applied equitably. As far as any one can tell, there is no difference between the treatment of such receipts by manufacturers and other protected producers and the treatment of receipts by producers who are not sheltered by the tariff. It is beyond doubt that those receipts, when distributed to partners, or stockholders, are used for private purposes just as thoroughly as any other incomes are used. The wealth is used for family

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support, for houses and lands, for paintings and music, for automobiles and yachts, for wines and cigars, for whatever the need or the luxurious taste of the recipient demands. Not the slightest effort is made to protect it and to prevent its perversion to private use until it has been distributed justly to the people according to the burden borne by them under the tariff, whether the user pays the tariff tax, or the foreigner pays it.

All these points are familiar to the public, if the public will only put its thought upon what it already knows. In truth, the tariff system is packed full of injustice to certain unprotected classes of the people of the United States, and it is utterly hopeless to try to infuse justice into it. Every one knows that it would be impossible, in practice, to make any division of the fund which the protected interests get from the tariff with assurance that justice would be done to all interested persons. In practice, the administration of justice is too complicated to be even attempted, taking the tariff men on their own ground. But when the system is put on the other ground, which is affirmed here to be the only sound position, that the tariff is a serious tax upon the users of the articles affected by the obstruction to trade, then the justice of the abolition of the system becomes imperative.

Now, for a further line of attack upon the tariff, turn back once more to the fundamentals of

our political institutions. Read again from the Declaration of Independence these words: "We hold these truths to be self-evident: that all men are created equal; that they are endowed by their Creator with certain unalienable rights; that among these are life, liberty and the pursuit of happiness . . the present king of Great Britain . . has combined with others . . giving his assent to their acts of pretended legislation: for cutting off our trade with all parts of the world."

Article V of the amendments to the Constitution of the United States, last clause, says: "nor shall private property be taken for public use, without just compensation." Article I of the Declaration of Rights of Massachusetts numbers among the unalienable rights of all men "that of acquiring, possessing and protecting property." Article X of the same Declaration, last clause, says: "whenever the public exigencies require that the property of any individual shall be appropriated to public uses, he shall receive a reasonable compensation therefor." [Citation is not made here of the fourteenth amendment to the Constitution of the United States; "nor shall any state deprive any person of life, liberty or property without due process of law," because it is admitted that the empowering law exists, though it destroys human rights.]

Here are principles which destroy utterly the argument for the tariff on the ground of "the greatest good of the greatest number." If that

plea were sound, then any rich man could be deprived of his property that it might be distributed among poor men. The practical answer of the people to the argument of the greatest good for the greatest number is that justice is a higher good than property obtained without giving an equivalent. Justice, sacred justice to every man, must be secured in respect to his property rights.

If these declarations in these authoritative documents were only man-made, then their force would be much weakened. But it is because they are held to be man-made statements of God-revealed truth inherent in the nature of men as free wills, associated in relations established not by man, but by God, that they have their force. In the very nature of men as free wills, our political principles affirm, inhere rights to obtain and to hold property. It is admitted on all sides that the exigencies of war, involving the existence of the political body itself, give it claims upon the citizen supreme over his rights to his own life and property. It is admitted that the health and police powers of the body politic rise higher than property or personal rights of the citizen. But, in respect to property — and the whole discussion is regarding property at a time when no war threatens the existence of the state — the equality of free wills, equality in opportunity to make the most and the best use of their powers, is operative.

If it was a just complaint against the king of Great Britain that he "cut off our trade with all parts of the world," then that right to trade inhered in the persons who desired to trade, not in the government supreme over them, nor in the colonies as political units separate from Great Britain. If the greatest good of the greatest number is sound doctrine, then the king had a right, if he thought it was for the prosperity and strength of his whole kingdom, to cut off the American colonies from foreign trade. If that doctrine is not sound, then the successor of the king, the government of the United States, even although it is set up by the people themselves, has no right whatever to invade the sacred domain of equal free wills exercising their rights to trade according to their judgment. When would-be traders are cut off by their government from their "natural, essential and unalienable rights" of "trade with all parts of the world," then the overthrow of their rights is as complete and as unjustifiable as was the action of the British king against the American colonies, and the injustice is of precisely the same immoral quality, in violation of personal rights inherent in men by the very nature of their being. If the natural status of trade is artificially disturbed by enforcement of a political theory which puts property into the hands of certain classes and destroys the opportunity which, if not destroyed, would bring property to other classes, then the

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property rights of the latter classes have been also destroyed by the action of the government, and the government becomes despotic and oppressive, in direct violation of the rights affirmed by our Declarations and Constitutions as inherent in men as individuals because of the very fact of their being created free and equal.

We must go back of Constitutions and laws to the fundamental nature of individual man and the relations of these ultimate atoms of society to each other in a political organism, whether or not our constitutions and laws set forth the truth adequately. But it is accepted by the latest philosophy of our day, as well as by that of the time of the framing of the constitution, that every person is a free will and, by that very fact, possesses "certain natural, essential and unalienable rights." That is, God has put men on the earth under given conditions which he has established. Whether or not men like to bring God into discussions of this sort, they are forced to do so, if they get to the bottom of things. What the divine rights are to put obstacles in the way of the acquisition of property by men, and how far the Creator is justified in making natural laws to interfere with "the pursuit of happiness," is beyond our criticism in the present discussion. The human state accepts the supremacy and the wisdom of God, at least because, in practical administration, it is forced to do so. Argument and controversy cease at the threshold of practi-

cal administration. Theory may go as much further as it pleases. The individual, also, must, by force, accept the natural conditions placed upon him. But when a disorganized body of men, or organized society, invades the sphere of his natural rights then an injustice is done, and an occasion for resistance arises. Now, these conditions and this status of rights being inherent in the person, independent of the government, or of the will of a majority of his fellow men, then when the government, representing a majority of his fellow men — and governments in democracies must be by majorities — interferes with the exercise of property rights, not for the police power of the state, nor for its health, the government invades the rights of men and its policy should be changed.

Such a policy is our tariff policy. It destroys the property rights of classes. It interferes with the constitutional right to the pursuit of happiness. It acts upon the theory of "the greatest good to the greatest number," thereby sacrificing large numbers of innocent and helpless citizens in order to secure the supposed prosperity of the whole — putting the policy upon the highest possible moral plane that any of its supporters can mention. But this is precisely of the same quality as confiscating the property of a rich man in order to divide it among the poor, or, worse yet, of taking the property of even a poor man and distributing it to others on the

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sole ground that he is but one and the others are more than one, and therefore a larger number of persons have been benefited by the confiscation.

In two distinct lines of activity the tariff interferes with the rights of men to acquire and hold property with an equality of opportunity with every other person under the Constitution. One of these is when the tariff destroys possible profitable enterprises in which men would otherwise engage. The other is when it puts burdens upon them in the expense of articles of living. In each of these respects good reason exists for believing that the burdens upon the people are enormous, that the prevention of possible property is a serious restriction upon the development of the prosperity of the country, and that the burdens of people, especially of moderate means, are heavily increased by the higher prices caused and sustained by the tariff.

In regard to the possible enterprises in which men might engage were it not for the tariff, lists of them have been prepared repeatedly with more or less fulness and the fact is established to the satisfaction of the investigator of this particular phase of tariff operations. The point here is the matter of principle, the individual's inherent right to equal opportunity with others to the use of his powers for the honest acquisition of property. Here, again, we come down to the fundamental conditions of existence, to the

conditions established by higher power than human laws. Men are put upon the earth, not by their own will, with powers not of their own bestowal, amid circumstances not of their own creation. Every one is put on the earth under the most imperative and awful mandates regarding the obtaining of supplies wherewith to maintain his existence. Unless he satisfies conditions supreme over him in regard to the support of his body, he dies. Needs, means of meeting those needs, articles to be secured by those means, everything is made by a Power higher than man. Under the conditions of worthiness of having the needs supplied and only under those conditions, does he satisfy his needs. (In this discussion of course it is aside from the point to discuss the cases of infants, invalids, or other dependent or defective persons.) Why the Supreme Power makes the conditions so onerous at times as to destroy life, why abundance at other times fills the stores of the provident is not for man to pass upon, however much he may complain, rebel, think or wonder at the facts. He must take what the Supreme Power gives. With his endowment with means of effort amid the objects of effort goes his right to equality, as a free being, one of the human race, all made on the same terms, in effort to secure property by giving the equivalent. (For purposes of this discussion all cases of inheritance and robbery

have no bearing upon the main point.) Since all persons are made by the Supreme Power, (the Maker alike of the person, of the needs and of the means of supplying the needs, who has made all persons equal), the interference of outside authority or force to prevent the free exercise of the full abilities of each person in securing property is a denial of the inherent rights bestowed by the Creator, which are affirmed by our fundamentals of government. Therefore such interference is not to be tolerated by a free people. Just as soon as the people appreciate what their freedom really means, they will put an end to this enormous injustice to the many for the benefit of the few.

Regarding the second line of injustice, the imposition of burdens upon the consumers of protected articles, this line is so familiar and forms the main staple of the argument for reform so generally, that no further mention is needed than to say that the human mind is not broad enough, nor capable enough of grasping complicated situations to comprehend the extent and the intricacy of the evils caused by the added prices which are put upon consumers by the tariff. But with growing rebellion against the evils the victims will press upon the tariff men the logical argument that if the tariff is imposed for the sake of making home prices ultimately lower than foreign, then when the lower shall have

been reached, when the infant industry is really adolescent, if not mature, then the youth should go alone and the people be given the benefit of a removal of the duties which obstruct trade with manufacturers in all parts of the world.

CHAPTER VII

INTERNATIONAL JUSTICE

Most important of all the action taken by the Hague Conference of 1907, with perhaps the exception of the recommendation that an international prize court be established, was the adoption of the following recommendation:

“The Conference recommends to the Powers the holding of a third peace conference, which might take place within a period similar to that which has elapsed since the preceding conference, on a date to be set by joint agreement among the Powers.”

This recommendation was adopted unanimously. It marks the agreement of the Powers upon the recognition of the movement which is carrying all of the nations into their rightful places as constituent members of the body politic of the world. This movement is sure to be irresistible because it is based upon a truth fundamental in the very existence of mankind. It is backed by a force stronger than all the divisive forces which drive the nations apart and which make warring fragments of all human kind. Neither time, nor space, nor climate, nor oceans, nor mountains, nor diversity of language, nor bigotry of religion, nor hatred of conquered for conquerors, nor jealousy of political or commer-

cial rivals, nor any other power which separates mankind into groups by themselves, can withstand the centralizing force which makes for their unity.

This truth might have been denied by the representatives of the nations in any year earlier than 1907. But in that year, for the first time in the history of mankind, a conference was held at which every nation on earth was represented and that Conference adopted unanimously the recognition of the unity of all the nations. Their recommendation is that the next logical step shall be taken in the development of the process of expressing the will of the world which is real world legislation, a process which has already reached a notable development and is moving forward with increasing momentum.

But, further than this, the Conference of 1907 set up the beginning of the world judiciary. That is the unique distinction of this international gathering. World legislation, by its own peculiar processes, had occurred previously. Germs of the world executive department were already in sight in several specific instances when the Conference of 1907 met. But there was only the potency of the world judiciary existing, and that seemed to lie in the Hague Court of Arbitration. But the Conference struck out a new line of advance. By the recommendation that the Powers agree upon an international prize court it did all that was in its power to make a

positive, practical beginning with the judiciary of the world. It is true that war will be required to call into action such a court and to secure from its judges a declaration that such and such are principles of law for all nations.

Such declaration will be the first formal utterance in the history of the world, saying what is law for all nations. Hitherto international law has been without formal and official statement, but rests upon a less stable foundation. This Conference of 1907, then, rendered conspicuous service to mankind and it approved a view of human relations which commands the attention of the world. That view concerns all tariffs vitally, for it makes for their annihilation.

Tariff problems cannot be settled rightly without going to the very bottom truth in the relation of men and of nations. The discussion rests upon deeper truths than financial. Yet the idea of property is involved. First of all comes the question, "Who owns the earth?" Some people have a prejudice in favor of the Bible, as a source of authority, though it is never introduced in any tariff discussion. Yet, it is being recognized more and more clearly that there is no division of truth; there is no separation of science into sciences other than the separations made by the limitations of the human mind. A Bible truth is a scientific truth as truly as any truth in a book on physics. The Bible answers

the question of ownership of the earth: "The earth is the Lord's and the fulness thereof; the world and they that dwell therein."

But the Bible goes further. It tells who are trustees of the earth:

"Be fruitful and multiply and replenish the earth and subdue it, and have dominion over the fish of the sea and over the birds of the heavens and over every living thing that moveth upon the earth."

or, as it is put in another place:

"Thou makest him to have dominion over the works
of thy hands;
Thou hast put all things under his feet;
All sheep and oxen,
Yea, and the beasts of the field,
And the birds of the heaven and the fish of the sea,
Whatsoever passeth through the paths of the seas."

There is the trusteeship clearly expressed, the Owner not abating a particle of his claim of ownership, but putting mankind in as trustees and masters of every created thing, so that man has power of life and death and of complete disposal. No created thing, if its life is needed for the well being of man, has the right of existence superior to that need. To some people the Bible, with wonderfully direct and vigorous affirmation, seems to go right to the very root of the relations of man to God and of men to men.

But some people cannot abide such quotations. They regard such truths, or, at least, such authority, as wholly out of place in a tariff discussion. But they recognize the authority of science. Yet science affirms that man is of one blood, as the Bible does. It is true that some science has denied it, but today the dispute stands in this position: that the best science cannot prove a diverse origin for the human race, while good scientists affirm the oneness of origin. If no science can prove the diversity because men are so much alike, then, for purposes of tariff legislation, it is practically safe to regard mankind as one in origin.

But science, the best modern type, affirms the freedom of the will of each normal person. It agrees with the common judgment of all people and with the affirmations of all courts which punish criminals on the theory that they are responsible for their crime. Science, furthermore, agrees with the Bible upon that point, for it is a vital part of the relation of men to God, as revealed in the Bible, that men are accountable for their acts. So there is absolute agreement of the three highest authorities — the Bible, science, and the common judgment of mankind.

Further, free wills are equal in the essence of their being. This is a teaching of the Bible, with its affirmation that the Searcher of Hearts is no respecter of persons. It is the affirmation of the Declaration of Independence that "all men are

created equal," and of the Massachusetts bill of rights that "all men are born free and equal." The very latest deliverance by the people of the United States is that their people must regard the fundamental truths in the Declaration of Independence. By the enabling act for the admission of Oklahoma into the Union, passed by the Congress of the United States, which became law June 16, 1906, it was put in as one of the conditions of membership in the Union that "the constitution shall be republican in form, and make no distinction in civil or political rights on account of race or color, and shall not be repugnant to the Constitution of the United States and the principles of the Declaration of Independence."

President Roosevelt, in his proclamation of November 16, 1907, declaring the admission of Oklahoma to the Union, specifically mentioned that its constitution was not repugnant to the principles of the Declaration of Independence. Therefore the people of the United States have officially affirmed, at their latest opportunity, as a condition of membership in the Union, the supremacy of the principle that "all men are created equal."

We have a seven-strand argument woven into one — the revelation of the Bible, the affirmation of science, the dawning self-consciousness of mankind's unity as developed in the Hague Conference, the practices of all courts, the common sense

of the mass of men, the assurance of the Declaration of Independence, and the latest utterance of the people of the United States — to the effect that all mankind is a unit beyond the power of any divisive forces to drive asunder. In that unity every individual person has his rightful place and his just sphere of activity, sacred from invasion by his fellows, by virtue of being created free will, of precisely the same quality as each and every other free will on earth. To that unity every individual person owes duties of service, for he is made a part of the organic whole as truly as he is made free will. Over that unity the central authority must rule by virtue of the rightfulness that every organism have a head and means of activity as a whole. To that unity the central authority owes duties of service to guarantee that every organ perform its function to the organism as a whole, to secure it in healthful condition, and to protect every individual person in his rights as distinct from the rights of any and every other.

The doctrine of local self-government — whether of national sovereignty against the absolute supremacy of world sovereignty, or of state sovereignty in our nation against our national sovereignty, or of local municipal rights against state sovereignty — does not reach its logical and necessary completion until it comes down to the individual person with his rights and duties as a constituent atom of the immense whole, with free

will endowed with powers for the securing of life, property and happiness, rightfully demanding free scope for the exercise of those powers in any part of the earth, and under obligation to render full measure of support, in just proportion, to the central authority.

On the other hand, the doctrine of central authority — whether of absolute world sovereignty against national sovereignty, or of national authority in our nation over our states, or of our states over their municipal governments, or of municipal governments over every individual person under them — does not reach its logical and necessary completion until it secures the perfect formation and operation of an organism in which every nation, every state, every municipality and every person has frictionless jointure with the whole in perfect operating condition, each part having free scope for action, subject only to the condition that it renders all the service necessary for the efficiency of the whole as the uniting and governing power over all the parts.

Such is the organism of mankind, master of the world for which it is trustee. With every organ, or every part, working for the welfare of the whole, each would perform the function for which it is best fitted by its endowments of structure, position and opportunity, and the total of service in all which goes for the material, intellectual, moral and spiritual welfare of the en-

tire organism would be at the ideal maximum. Each part would give the most which could be secured by any possible arrangement for the welfare of the whole. With the largest possible product from the entire world brought forth constantly for distribution to the different parts in return for their contributions to the whole stock of goods, there would be secured the greatest possible material prosperity, in the very nature and under the very conditions of the case. Moreover, with all the organism working harmoniously for its general welfare, there would assuredly accompany the highest material prosperity a degree of friendliness and interchange of helpful ideas and practices markedly in contrast to international jealousies, commercial wars and constant suspicions, to say nothing of the actual military warfare familiar to all the world.

But, right across this perfect organization of the people of the earth comes the obstructive tariff doctrine, cutting the unity into fragments, destroying the organic activity of the members of the world body politic, interposing obstacles to the efficient operation of the beneficent laws of self-service of man by man, crippling, wasting, paralyzing and impoverishing. That all nations follow this obstruction policy does not relieve, but inflames the evil. Suicide is none the less murder and none the less an offense against right because the victim is self and not another. That all nations formally deny the unity of mankind

by their governmental action, and refuse to recognize the organism of which they are essential parts in no way weakens any one of the seven strands of the argument by which the unity of mankind is affirmed. In its very essence the tariff obstruction inflicts great injustice upon every nation, upon its citizens individually and upon the body of mankind as a whole.

It is to be admitted frankly, as far as the argument is based upon the political unity of the world, that such unity is not accomplished, nor even very much realized. But it is in sight, even though the nations still assert the doctrine of absolute national sovereignty, for there is abundant evidence, which need not be rehearsed here, to prove that the political unity of mankind in a working organization is in progress, and that the three essential departments of legislature, executive and judiciary can already be discerned in the process of formation.

But the full force of the argument against obstruction is not at all weakened by the absence of a working political unity of the world for the time being. Inasmuch as the world is organized commercially far better than it is politically, and inasmuch as the argument has to do mainly with the production of property, all the truth of the service of the whole by the parts and the gain to the parts from service to the whole, and all that has been said of the rights of free wills to free action when not harmful to the welfare of the

whole, bears with full force upon the situation under discussion.

Freight lines for the transportation of goods from the place of production to a more or less distant better market than the home market have been established, or are being established, wherever the temptation of an apparent and sufficient profit appeals to the legitimate instinct, or judgment, which leads men to reap profits wherever reasonable — to state the proposition mildly, without reference to cupidity or the spirit of aggression upon the rights of others. This very situation carries its own truth upon its face. Men will not live in places where the conditions of existence are less advantageous than they can find elsewhere, with their knowledge of other places and their means of transporting themselves. The very fact that a community exists at a given point, even an Esquimo village, proves that at that place is sufficient abundance of the means of living, according to their desire of the good things of life, to prevent their removal elsewhere. That is, there is some advantage in that locality over other localities where the people might live, for there are so many unoccupied places on the earth that the occupied leave vast uninhabited regions. Good soil for particular kinds of plants, good grazing for animals, good water power for manufactures, children who must furnish employment to teachers, people who must have physicians, educated taste which demands sculpture and

paintings, all these things and hundreds of others, make men decide to live in their chosen place. Every place where men live has its yield of good things, in the opinion of the worker who abides there, which leads him to choose to remain there rather than to move on. The frequent occurrence of removals in order to better one's condition is the best illustration of the argument and proves the fluidity of mankind to meet the conditions.

Every place, therefore, having its peculiar advantage, its natural equipment is used for the largest production of wealth. At sea fishermen fish, not try to pick huckleberries. In a rubber forest they collect rubber, not tea, and so on. Wealth comes most easily where nature has put it most lavishly. In view of this patent fact, it is not saying too much to affirm that the obstruction doctrine rests upon the foundation of lack of business originality, plus an envious imitativeness of communities or of establishments which are prosperous. Men here see that men over there are making money by reason of the advantages which they enjoy. The cry goes up: "We could make money like that here, if we had the conditions they have over there." Then comes the attempted interference under sanction of law with the natural distribution of advantages, the neglect of the treasures of nature already at hand in view of the disquieting effect of seeing other men make money. This brings

us into the well beaten path of familiar argument and there is no need to pursue it further, beyond emphasizing the un wisdom and futility of neglecting one's own natural advantages in order to produce other objects under comparative disadvantages.

Having come out into the familiar path, now turn back from it again and see how the obstruction policy inflicts serious injustice upon every nation which adopts it. Laws of trade act according to their own nature regardless of the purpose of the persons who put them into action. If it is in the nature of obstruction of trade to benefit the communities between which the obstructions are erected then every community should be hedged in by itself. The obstructionists who remove obstructions from between the states of the United States, and prohibit their erection by law, on the ground that we are one nation and that conditions are different from what they are between different nations, are inconsistent. States of the United States are suffering today because of lack of obstructions to trade between them, if the obstruction theory is correct. If it is not correct, then the nations between which obstructions are erected by law, according to the obstruction doctrine, are suffering by reason of the obstructions. Consistency requires the same doctrine for both cases, and since the brotherhood of the people of the United States is held by the obstructionists to make un-

wise the erection of obstructions between the states, in the same way the brotherhood of all mankind prohibits the erection of obstructions between the nations.

Whether or not national constitutions or laws recognize the rights inhering in nations and in individuals, those rights are indestructible. Whether those rights are violated by nations inflicting injustices upon themselves or by majorities inflicting injustice upon minorities, none the less is there great violation by shutting off nations, as well as individuals, from their rights to trade wherever upon earth they please, so long as they do not offend against the health and morality of mankind, in other words, as long as they abstain from offenses corresponding to those which are forbidden within separate nations by their health and police laws. As the obstruction is on a large scale, the injustice is correspondingly large. It is a reasonable statement that vast wealth is yearly denied to mankind in the aggregate, and to its constituent parts in a measure, because of the obstructions to the profitable exchange of goods whereby each locality should give its main effort to those things which are produced with the most profit. This injustice is none the less real and impoverishing because self-inflicted and general.

International justice makes for the end of the obstructions to international trade. It is true that this force is at present absolutely unrecognized

by many men who are influential in shaping the policies of nations. But it is none the less a living force. It will grow stronger as the conscience of mankind is quickened to a keener sense of the rights of individuals and of nations. It will weigh more and more heavily upon the judgment of men as the intellect of the world comprehends truths and facts with more breadth and exactness. It will continue to rise, like the waters of a flood, until it sweeps away the weakening obstructions and brings all the nations to a full realization of their equality in property rights everywhere upon the face of the earth.

CHAPTER VIII

LABOR'S ALTERED STATUS

Within a few years, comparatively, the status of laboring men has altered materially as an element in the contest over the obstructive tariff. When Webster was making his unanswerable arguments against a high tariff and, much later than that, when the revenue tariff champions of the discussions after the civil war were most active, laboring men, as a general fact all over the country, were far less organized than they are today. Now they are not only organized with comparative thoroughness and efficiency, but it is recognized as desirable, even by employers, that there should be labor organizations. So far has this development gone that labor unions have their legal standing. They are recognized forces in the industrial situation. They have their tremendous strength. Labor is not the helpless victim it was formerly. It is no longer at the mercy of tyrannical employers. It is sturdy, vigorous and combative. It is abundantly able to care for itself. It has such organization and strength that it has no hesitation, in many instances, in plunging instantly into war with its employers, if it believes that its rights are outraged, or that it has an opportunity to better itself financially.

With this altered condition has come about an altered status, also, of the public toward organized labor. It is generally recognized that the organization of labor has put another fighting force into the field. Labor is now strong over against capital. It asks for no favors, but only for its rights. In demanding its rights, it displays the same selfishness and inability to recognize rights on the part of other people as has been a marked characteristic of the treatment of labor by capital in the days when labor was too weak to fight its employers. Abundant illustration of this is seen in the great strikes in Chicago, San Francisco, Boston, New York and other cities. Organized labor stands over against organized capital as an equally deplorable illustration of selfishness. It is equally a predatory trust. It aims equally at monopoly. It is equally in need of reform.

Capital and labor have been the upper and the nether millstones between which the public has been ground. Capital and labor are equally ready to tie up railroads, street railways, teamsters' facilities, telegraph service, or any other indispensable necessity to the well-being of the public, knowing that great concerns of property and life hang upon their action, while they fight out their quarrels over pecuniary differences whose consequences are not, for a moment, to be weighed against the suffering and loss they cause.

Consequently the appeal of labor to the sym-

pathies of the country has already lost most of its force. Labor fights. It is not an object of pity. People all over the country, wholly innocent and wholly helpless, suffer because labor fights. They are no longer disposed to sympathize with labor in its struggle against capital because, in many cases, labor has no rightful claim upon sympathy. This feeling toward organized labor will enter into the contest over the obstructive tariff.

This element of sympathy with labor declining in strength, therefore, the contest over obstruction becomes much simplified. Many people who believe that obstructions should be removed, have still conceded the point that there should be a sufficient tariff upon the manufactures in our country to protect our labor against the competition of foreign labor. In the gubernatorial campaign in Massachusetts in 1907, for instance, the candidate for governor who made most of the issue of revenue reform and of reciprocity, said publicly that he believed that sufficient tariff should be retained to cover the difference in cost of labor. That is the position taken by the republican national platform of 1908.

But this consideration will not stand examination. Politicians may cater for the votes of laboring men, but it must be understood clearly that such catering is nothing but political expediency, flattery and self-seeking. At bottom the question regarding any industry sheltered by ob-

structions of imports is whether that industry can stand alone if the tariff is removed. Capital and labor are upon the same footing in the presence of this question. If the business is unable to stand on its own merits, if it is a bloodsucker upon the hardworking people of the country, then its continuance has no justification. Capital and labor engaged in it are equally unworthy objects of sympathy and neither can justly stand before the people and demand that it be supported by people in other industries, because it is incapable of self-support.

Yet, in the shifting of ground which friends of favored industries have been forced to take, the argument of protection to labor in the United States has come to be probably the strongest reliance of the tariff champions. In *The Protectionist* of December, 1906, which can certainly be taken as a fair type, after the statement that

“In Alexander Hamilton’s time there was little or no difference between British and American wages, and ocean freights ranged from 15 to 25 per cent. of the cost of the goods. For these reasons low duties were sufficient, and if the same conditions had continued, protection might after a few years have been dispensed with,”

follows this passage:

“Wages in this country are now 25 per cent. higher than in Great Britain, 30 per cent. higher than in

France, 40 per cent. higher than in Belgium and Germany, and 50 to 70 per cent. higher than in other Europe and in Japan, while ocean freights are not one-tenth what they were. These two facts make protection to established industries quite as necessary now as it was to young industries then. Any tariff argument which does not recognize this is so antiquated and unprogressive that it must be regarded as uneconomic and unpatriotic."

As a fact of history, wages in this country, even in revolutionary times, were higher than in England and have always been higher. Now the very fact that wages are higher here than abroad is due to the greater value of labor, and the higher its value the less it has to fear from competition of cheap labor, for it is one of the established facts of employment that low-priced labor is the most expensive when measured by product and the highest priced is the cheapest. The protectionist argument, therefore, is that the less protection that labor needs, the more we must give it. To that inconsistency is a candid and consistent tariff man forced by the discord of his doctrines.

If capital invested in unprofitable enterprises cannot rightfully demand dividends at the expense of the public, no more can the labor employed in the production demand continuation of its employment. Both fall equally under condemnation. Profit would result to the country from discontinuing the enterprise entirely and

preventing further drain upon the resources of the people in supporting a business which cannot support itself.

If the obstruction to imports is based upon the theory of charity, then let it be so stated and clearly understood. If the employees in an industry which cannot support itself are given employment at the expense, in part, of the public, then they are paupers to that degree just as truly as those who are put into public institutions. What makes the case for them all the worse is that those who defend the system apparently demand that employees be supported in this pauperism, in spite of the fact that they are capable of earning a competent livelihood in profitable industries, and would be so engaged if they were not established in situations where they cannot return to the public as much as they cost the public. It is a fair tribute to give to labor that it will not persist in holding such a dishonorable and discreditable position when the truth is clearly demonstrated, as it surely will be by the progress of events.

But the strong organization of labor has further consequences than the alienation of popular sympathy. Here is the prime fact of the situation all over the United States in consequence of this organization, that labor is in touch with itself to a large degree. It is acquiring the habit of acting in unity, or, at least, by majorities. Sympathetic strikes reveal the fraternal feeling

which prevails throughout labor organizations as against capital. Now, add to this approximate unity of organized labor the fact that by far the large majority of labor is not in the employ of the protected industries. While it is true that the employees of industries which are favored by the tariff are compactly organized, as a rule, yet it is furthermore true that the extension of organization brings in constantly more and more of the wage-earners of the country who are not employed by industries which have a nominal tariff shelter.

Direct personal interest, therefore, will lead the working people, as a rule, who must pay the taxes caused by the obstruction of trade and who receive no visible compensation in way of personal employment, to unite for the defeat of the obstruction system. From their point of view, in the long run, it is for their interest that the duties should be reduced or removed. It is true that a considerable number of their fellow workers are employed by favored industries, and self-sacrifice might be construed to demand that they stand by such employees. But the issue is not temporary, but permanent, involving the indefinite future, and there is to be balanced the welfare of the majority against that of the minority. It is pertinent to turn the status the other end around and say that the duty of self-sacrifice is more incumbent upon the minority toward the majority than upon the majority toward the

minority. As far as organization, therefore, affects the popular vote, it will tend to increase the opposition to the tariff. As far as the duty or loyalty to the organization is ignored, the effect will still be to increase the vote against the tariff, because a majority of the employees have a direct personal interest against a high tariff and because there has been a material destruction of the sympathy with the employees of favored interests.

But the altered status due to the organization of labor may work much more powerfully yet against the favored industries. It is a pertinent fact of the situation, as far as the employees of the favored industries are concerned, that they do not get higher wages than are warranted by the general conditions of the country, taking all the states into consideration, with the highly significant fact that there is absolute free trade between them. These employees get their living under the general standard of wages. They are not a favored class, as the capital which employs them is favored. They must stand their chances in the storm and stress of business, the same as other employees. They are exposed to foreign competition in a form to which the capital which employs them is not exposed. Foreign labor is constantly coming to this country to compete with them. It is true that we have laws against the importation of contract labor, and that we exclude many Asiatics who would be glad to come. But it is well known that workers by hundreds

of thousands come to this country every year to work and earn an honest living under the favorable conditions of the United States. (There is a point to be made regarding the return of such labor during hard times, illustrating the mobility of labor.) Wage-earners in the United States are constantly experiencing the consequences of this steady importation of competing labor. Aside from the fact, in the favored industries, therefore, that employment is had under the current conditions of the country, there is no special advantage to the employees of favored industries over the employees of other industries. All are on the same general wage scale.

This being so, owing to the inevitable fact that there is no prevention, under the very terms of American liberty and freedom, of constant imports of foreign competing labor, the employees of the favored industries are under the burdens of the tariff to as full an extent as all other portions of the people, and they have no exemption whatever owing to employment by favored industries. They merely get their living and save what they can, just like wage-earners in other industries.

Self-interest, therefore, for all wage-earners, whether employed in the favored industries or outside of them, demands, as a measure of benefit to all the employees in the country alike, that the tariff be removed. Now here comes in the tremendous consequence of the altered labor status by means of strong and extensive organi-

zation. It is quite possible, as one of the consequences of popular agitation, in no distant future, that the entire body of organized labor in the country, both that employed by the favored industries and the larger number otherwise employed, will enlist in a campaign against the obstructive tariff. It would not be strange to see organized labor make this the prime issue of a presidential campaign and, for the welfare of employees of every class all over the country, demand that the obstructions to trade be removed in order that the legitimate advantages of low-priced production be enjoyed as widely as possible in every corner of the United States. Self-interest demands such action. Loyalty to fellow wage-earners demands it, if that principle is to be appealed to as a motive of political action. Labor is learning to act together more than ever. It is to be presumed that it is gaining in intelligence as it advances in age of organization. Obstruction of trade cannot reasonably expect that it can hold the labor vote as it has held it hitherto.

But the case is not all in yet. One of the commonplaces which is gradually being accepted as true, in spite of constant kicking against it by one side or the other, or both, is that the interests of labor and capital are identical. In its proper place the reasoning which follows will be applied to capital. Here it is applied to labor. It is based upon the bad consequences to business of presidential campaigns. Very likely the

apprehension of trouble frequently outweighs the real damage, but it is a chronic complaint that business suffers during every presidential campaign. What makes it suffer? Because legislation is feared in consequence of the success of one or the other of the parties. Now, as a matter of fact, this apprehension is almost always based upon one or the other of two things, either that there will be changes attempted in the tariff, or changes attempted in the currency laws. The latter subject is not under discussion here. But, regarding the tariff, it is the truth that in almost every presidential election, nominally or really, the tariff is a cause of apprehension. Favored industries dread any possible change. Now, our country is old enough, and we have had presidential elections enough — seeing that we have had a tariff ever since we have had the present system of Congress — to make it certain that as long as we have favored industries, there will be attacks upon that favoritism. The issue is chronic and will not be settled until it is settled so nearly right that no political party will take it up as a campaign issue. This great and persistent vitality of the issue is of itself demonstration that the issue is not settled right, or that a very large number of our people are not intelligent. But the general reputation for intelligence on the part of the dissatisfied, compared with the others, does not warrant the conclusion that the intelligence of the country is concen-

trated solely upon the side which has a direct financial gain to make out of government favoritism.

Now, business disturbances due to politics are unfortunate. If employment of labor is threatened, if wage-standards are lowered, if the future is gloomy and uncertain, if it is impossible to plan for the keeping of the home, for the education of the children, for the continuance of the present system of running the household by reason of doubt whether a particular party will elect its president, then, if that doubt could be removed, so much would be added to the material content and betterment of labor. It would be well if there were no Damocles sword hanging over the bread-winner's head because of the election. It would remove the peril, once every four years, of a break-up of the home, of removal to other quarters and of interruption of the settled course of earning and reaping the fruits of the earnings, if the tariff were taken out of politics. This is the stake which labor has, wholly aside from the great gain to be secured by the removal of obstructions to legitimate exchanges of goods and by the reduced cost of government when the obstruction-expense shall have been removed.

Again, labor has gains to make in the removal of obstructions because the development of international intercourse has brought all the world closer together and if there were no obstructions

other than those imposed by natural conditions, then all the world would be brought under contribution to any particular part and shortage of supplies in any locality by failure of crops, or war or other disaster could be made up, at least in part, by contributions drawn from the next most favorable source of supply. Not only would capital gain because its manufacturing could proceed without material interruption, but labor would gain because its employment would not be cut off. The wider the profitable source of supply, the less likely is the industry to interruptions for want of raw material and therefore the more likely is labor to enjoy continuous employment. Here, again, labor has to gain by removal of obstructions and the organization of labor makes it more probable than ever that the entire strength of the organization will be put forth to secure the establishment of new conditions by the government whereby present tariff obstructions to the securing of a wide source of supply of raw material will be removed.

Improved means of transportation and of communication all over the world have made it possible for poorly paid labor to learn more quickly than ever before where there is better employment and to migrate to it. Certainly much money is sent from this country by immigrants to bring their friends over and the mobility of labor has because an established fact, strikingly illustrated by the immediate return to Europe of

scores of thousands of workers after the beginning of the depression of October, 1907. For labor's benefit, the only equivalent offset to this mobility is an equal mobility of goods so that labor may reap the benefit of profitable exchanges between countries.

Labor's altered status reveals a new source of strength in organization, and that is in the labor publications. The difference from former days is prodigious. Labor publications unheard of by the miscellaneous public outside of this field have a wide circulation. Labor doctrines are spread by labor journals. Employees are brought in touch with each other as never before. They reach a common understanding better than ever before. They have facilities for concerted action never before enjoyed. All these means are actively employed in political campaigns and they contribute powerfully to the solid massing of the labor strength. Taking the entire labor field together, there is no doubt that the forces of the new tariff era are felt here strongly also, nor that they will act for the removal of the tariff obstruction.

CHAPTER IX

CAPITAL'S ALTERED STATUS

In this new era of tariff conditions, capital's status has altered as truly as labor's. At the beginning of our national experiment in obstructing trade in order to increase national prosperity, not nearly as many opportunities were open to capital for profitable employment as there are now, and not nearly as much capital relatively was available for the development of the country's industries and opportunities as there is now. While it is certainly true that the country's potentialities and natural gifts were as abundant as they are today, yet the crude state of development made it none the less true that for capitalists of that day there were not as many practical openings for investment, promising quick and sure returns, as there are today.

Now, the correct status of capital, and also that of labor, in this or in any other country, cannot be comprehended unless it be realized what an insatiable demand there is for good things on the part of all normal persons. Human desires outrun by far the most talented ability to supply them. That is a commonplace which has a very important part in reaching a fair judgment regarding the employment of capital and labor.

In a nation with the brains, tastes and needs of

ours, human ingenuity in formulating new demands always outruns the ability of human hands and machinery to keep up. Men see genuine opportunities always ahead of them for making money far in excess of their ability to improve them. This is the chronic condition of affairs. Doors are open on every hand for profitable employment of capital. This means, too, the profitable employment of labor. That is, in the normal, healthful condition of this or of any other country there is a chronic shortage of capital and labor. Brains go ahead faster than hands can keep up, and this will always be the case when business is normal.

Exceptions occur when crops fail or other disasters overtake the people. Too many hands for the work that can be paid for is the record of many a period of hard times. Too much capital seeking investment to yield a satisfactory profit is equally a matter of record. But it is for the reproof of men that, in our country, at least, the sharpest financial crises, the greatest suffering of unemployed labor, and the idleness of uninvested capital, or the low rates of interest on capital, are due to human errors, blunders and wilful defiance of sufficient warnings, rather than to any severe calamity from natural causes.

In the United States, at this day and as far in the future as we can forecast the outcome of industrial and financial forces, capital will have permanent opportunity for profitable employ-

ment, and that means profitable employment for labor also. Let the mind run over a few of the principal fields of investment. They open wide fields for the employment of money, and they reveal imperative conditions of activity.

For instance, the national domain of agriculture offers better inducement for capital than ever. As long as people must eat and as long they must pay market prices in order to escape starvation, there will be a market for farm products. Our immense resources in the West have hardly been touched, when we consider the reclamation of the arid regions, and the expansive irrigation projects which promise to pour wealth upon the country as water is poured upon the receptive fields. Farm and orchard crops are promised in luxuriance where formerly nothing eatable grew and where men could not live. Our great centers of population all over the country demand more than ever the employment of immense capital in market gardening, where returns are adequate for a comfortable livelihood and are sure. Farming tools of many new devices and farmers' co-operation make farming a very different occupation from the farming of the previous generation and great demands are made upon capital to cultivate this field.

As an illustration of the forward march in agriculture,—a comparatively small matter in this field alone,—let quotation be made of the following in an article by Frederick W. Ford in

the *Boston Transcript* of December 21, 1907, being the seventh in a series entitled "Roosevelt's Land Policy." It is nothing against the point made that this work is done under government auspices, for it is none the less done by the people, and will no less make demands upon the capital of the country, though the burden be in the form of taxes. Strength, indeed, is given to the argument, because this pioneer work by the government is only the preliminary to further investment by private capital in large amounts. Multiply these open doors by the hundred, if you would realize the demand made for new capital in agriculture alone, a demand which offers promise of profit so large as to attract its share of capital away from manufacturing, mining, or commerce. The quotation is as follows:

Clarence J. Blanchard, statistician of the Reclamation Service, estimates that the twenty-five irrigation projects now under construction by the service eventually will add 3,198,000 acres to the agricultural lands of the country, though as at present developed the projects will take care of but 1,598,000 acres. Thirteen other projects which have been favorably passed upon and are awaiting funds with which to carry them out will give 3,270,000 acres more to the farmer; a total of 6,468,000 acres. At a low estimate this land will be worth \$323,400,000. The total increment from the sale of irrigated land in 1905-6 was \$5,166,336, giving a total reclamation fund of \$33,242,444. The estimated increment in

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1907-8 is \$8,338,159; this will give a total fund of \$41,580,584. When this has been expended, 1,400,000 acres will have been reclaimed and will begin to return annually \$4,000,000 to the fund.

The following table gives the names of the different projects, the acreage of land reclaimed under the present plans, and the estimated cost:

Project.	Estimated Cost.	Irrigable Acreage.
Salt River, Arizona.....	\$5,300,000	200,000
Yuma, California-Arizona.....	3,500,000	100,000
Uncompahgre, Colorado.....	5,200,000	150,000
Minidoka, Idaho	1,800,000	80,000
Payette-Boise, Idaho	1,605,000	120,000
Garden City, Kansas.....	260,000	8,000
Milk River, Montana.....	1,500,000	40,000
Huntley, Montana	900,000	33,000
Sun River, Montana.....	500,000	16,000
North Platte, Neb.-Wyo.....	4,100,000	110,000
Truckee-Carson, Nevada.....	4,000,000	200,000
Hondo, New Mexico.....	336,000	10,000
Calsbad, New Mexico.....	600,000	20,000
Rio Grande, New Mexico.....	200,000	15,000
Lower Yellowstone, Montana-North Dakota	2,700,000	60,000
Buford-Trenton, Williston, Nesson, North Dakota	1,270,000	40,000
Klamath, Oregon-California.....	2,400,000	50,000
Umatilla, Oregon.....	1,100,000	18,000
Belle Fourche, South Dakota.....	3,000,000	100,000
Strawberry Valley, Utah.....	1,850,000	35,000
Okanogan, Washington.....	500,000	9,000
Tieton, Washington.....	1,400,000	24,000
Sunnyside, Washington.....	2,000,000	40,000
Wapato, Washington.....	600,000	20,000
Shoshone, Wyoming.....	3,500,000	100,000
Total	\$50,121,000	1,598,000

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The projects which are awaiting funds for carrying out follow:

Projects.	Estimated Cost.	Probable Acreage.
Little Colorado, Arizona.....	\$4,000,000	80,000
Sacramento Valley, Cal.....	20,000,000	500,000
San Joaquin Valley, Cal.....	6,000,000	200,000
Colorado River, Colorado, Utah, California, Arizona.....	40,000,000	750,000
Dubois, Idaho	4,000,000	100,000
Lake Basin, Montana.....	12,000,000	300,000
Las Vegas, New Mexico.....	1,500,000	35,000
Urton Lake, New Mexico.....	2,000,000	35,000
Walker & Humboldt Rivers, Nevada	15,000,000	500,000
Red River, Oklahoma.....	4,000,000	100,000
John Day River, Oregon.....	10,000,000	200,000
Weber, Utah.....	5,000,000	100,000
Priest Rapids, Washington.....	2,000,000	50,000
Goshen Hole, Wyoming.....	4,000,000	120,000
Total	\$129,500,000	3,270,000

Intelligent forestry is just beginning to make the acquaintance of the financiers of the country. From the mountains of New England to the slopes of the Pacific coast there are broad expanses which today tempt capital with a reasonable and rich promise of reward for proper care of forests already standing, while other seductive pictures are drawn by scientific experts of the riches to follow the planting of new forests. The United States has already unquestionable stores of wealth in this field, and urgent demands upon capital are already made. We are today far behind our opportunities, or even our plain forestry duties,

and professional foresters can easily show where capital can make large returns.

Manufacturing must have vast amounts of capital for its development. Peace men are constantly holding up the spectacle of strong warships consigned to the scrap heap of old iron because they have become antiquated as a costly object lesson upon the cost of war, but the competition in the industrial contest is even more severe than in the naval. Men are constantly planning and working how to make money, even more diligently than they plan and work how to outclass their opponents in military and naval offense and defense. Manufacturing machinery becomes antiquated and unprofitable with even more rapidity than battleships. Economy of production and ability to meet competition compel the manufacturer to renew his machinery long before it is worn out. For this renewal, who can tell how many millions of capital must be set aside annually? Ten per cent. of the cost of the plant is a standard many establishments set apart annually for depreciation. Multiply the manufacturing capital by that and see what the steady demand is for investment.

Natural resources for manufacturing must be developed, as well as old machinery be replaced. Electric power has given a new value to water powers far and near. Countless opportunities wait to be improved, reminding one of the lines of Birdofredum Sawin:

“Ware millsites filled the country up,
Ez thick ez you could cram ’em;
An’ desput rivers run about,
A-beggin’ folks to dam ’em.”

Thousands of these sources of power lie amid our mountains and hills wherever nature has raised her precipitous areas suitable for the storage of the powerful waters.

Mining has its modern triumphs, its new methods, its profitable working of ores formerly unworkable with profit. Beneath the surface of the earth are countless millions of valuable stores, waiting to be developed and already promising abundant reward for the money which shall be invested in them, and there has never yet been a hint that our resources are so nearly exhausted that we need retard in the slightest the rate of our development of our mineral fields.

Building will make enormous demands upon capital in the near future, and it will be a profitable investment. Modern methods make buildings antiquated long before they pass beyond the usable stage. Take the case of Boston. In the district covered by the buildings erected after the great fire of 1872, many business blocks have already been demolished to make way for others which will satisfy the demand for modern equipment and will yield larger return. Yet the buildings demolished were nowhere near the end of

their serviceability by former standards. If the business portions of the cities of the United States, and of the large towns, to say nothing of residences, must be reconstructed with new business blocks, so that twenty-five years hence those erected twenty-five to thirty-five years ago shall have been replaced, to a material degree, then here, again, is a demand for an inconceivably large amount of capital.

Transportation promises to make its demands upon the men with money to invest. See what has been done within the last generation for steam roads, for electrics, for steam transportation on the water. Add to that the annual increase demanded by the country, and conceive, if the mind can comprehend it, the millions annually which will be required to keep our transportation interests abreast of the demands of the times. Leslie M. Shaw, secretary of the treasury, said in his speech at the Harvard Union, January 14, 1907:

“The railroads need more tracks. I was talking with a brilliant railroad man the other day, and he figured out that we needed 70,000 miles more track, including terminals, without any extension of the roads, in order to carry our freight. . . . It would take \$1,000,000,000 a year for five years to put down that 70,000 miles of track to carry the freight in hand, without increasing our freight a ton. It would take to put down this extra track 2,000,000 tons a year of steel rails. The steel rail

factories produce 3,000,000 tons a year. That would leave only 1,000,000 tons for repairing tracks already laid."

A press dispatch from Baltimore, dated January 1, 1908, gives the following bird's eye view of a comparatively small part of our resources which demand the investment of capital, while the enormous annual output already attained illustrates the profitable opportunities at home, and the whole recalls forcibly to mind, if any one has the memory which goes back as far, the vociferous clamor for "expansion" with which the people of the United States rushed forward to the conquest of the Philippine islands:

In a broad survey of the unlimited possibilities of the United States, with its area of 3,000,000 square miles easily capable of supporting a population of more than 500,000,000 without crowding, the *Manufacturers' Record* in its special first of the year issue says:

"All Europe has 42,800 square miles of coal area; the United States has 340,000. Great Britain, Germany and France have only 14,400 square miles of coal. West Virginia has more than these three, and so has Kentucky. The South has more than four times as much, and the United States 25 times as much.

"We already make about as much iron as Great Britain, Germany and France combined. In this country we have, according to the reports of the United States geological survey, of known ores 12,-

000,000,000 tons, or largely more than all Europe. Granted that other sources of supply will be found in other lands it is quite possible that such discoveries will be fully matched by discoveries yet to be made in this country. The United States geological survey credits the Lake Superior region with 1,500,000,000 to 2,000,000,000 tons, and the South with over 10,000,000,000 tons.

“Stronger today than ever before is the South’s monopoly of the world’s cotton trade. We are raising an average of about 12,000,000 to 12,500,000 bales of cotton a year. We could double that by better cultivation and the better selection of seed. If the world should eventually need, as in all probability it will, 40,000,000 or 50,000,000 bales from the South, this section will be able to supply it, providing the labor can be secured to produce it.

“If the coal in the state of West Virginia could be capitalized at 10 cents a ton, the total capitalized wealth of the coal of that one state would be \$10,000,000,000. We have oil enough to light the world; natural gas sufficient to run many thousands of factories and furnish heat to many millions of inhabitants. We dominate the sulphur trade of the world. Tennessee and Florida have more phosphate rock than is known of elsewhere in all the world. Montana and other states produce a very large proportion of the world’s copper.

“We have 85,000,000 population against Europe’s 400,000,000; we have a cotton crop worth annually \$800,000,000, while Europe has none; we have wheat and corn averaging annually about 3,400,000,000 bushels, against Europe’s 2,200,000,000 bushels; we have 225,000 miles of railroads, against

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195,000 miles for all of Europe; we are making almost as much pig iron as Europe, and mining over 60 per cent. as much coal.

“Between 1870 and 1907 the value of farm products has risen from less than \$2,000,000,000 to \$7,400,000,000. The total number engaged in agriculture in 1870 was 5,992,000 and the total number at present is 11,500,000.

“The value of all manufactured products, which in 1870 was \$4,232,000,000, is now running at the rate of over \$17,000,000,000 a year, the aggregate of manufacturing products and mineral output being nearly \$19,000,000,000. This gives us a total of agriculture, minerals and manufactures of considerably over \$26,000,000,000, against \$15,000,000,000 in 1900 and \$12,400,000,000 in 1890.”

So the enumeration might proceed, showing the vast openings and the urgent necessities, by land and by sea, for new capital to replace the old and to keep pace with the growth of population. But demands increase much faster than population, and the demand will always outrun the supply as long as men want good things. New inventions make larger demands than ever upon the capitalist and it is no new discovery that worthy inventions wait for years before they secure adequate commercial development. In the different lines of progress in mechanics, in chemistry and in electricity the inventors are constantly finding new ways of doing things until the marvels of material invention seem to rival the mysteries of the

human brain. Exaggeration in this field is impossible, because no human mind is large enough to grasp the facts adequately. We are in an era when capital has abundant opportunity for profitable employment at home and when there is such diversity that the old tariff argument of the need of diversified industries is wholly outgrown. Such is our chronic business condition and the developments of the recent years give ample assurance that this chronic shortage of capital and labor will be only intensified as men invent more machinery, as they become broader in their outlook, as they become accustomed to the daily use of more and more of the things which seem to be novelties and luxuries today, and as they become more imperative in their mastery over the physical world which they are bringing into subjection at their feet.

A commonplace truth, but none the less pertinent and mighty even though commonplace, is the greatly increased efficiency of wealth-making machinery. In this respect the status of capital has altered much since the adoption of the tariff system, and even since the revival of the policy as an incident of the civil war. Machinery makes wealth for the country faster than ever, and it is a reasonable prediction that the gain of the future over the present will fully correspond to the gain of the present over the past. Accumulations of wealth occur for many people with increasing rapidity. Modern fortunes, compared

with those of the ante-war period, illustrate this accumulation, due, certainly in a large degree, to the setting to work of countless busy machines for the profit and ease of men. Capital accumulates faster than ever before and it is more available for business investments than ever before, even though it is also true that in a normal financial condition of the country there is a chronic shortage of capital. It is doubtless true, if any one wishes to make the point in opposition, that the consumption, or destruction, of wealth also increases rapidly. Certainly it is so. We both produce and consume with prodigality. Doubtless the rate of increase of both production and consumption is geometrical. But the undeniably increasing wealth of the country, as proved by the enormous individual fortunes of modern times and in the improved conditions of the great mass of moderate fortunes, shows that the ratio of production exceeds that of consumption. Capital is gaining, and resources for investment and the development of the country's potentialities are constantly becoming larger.

Connected with this fact of rapidly increasing wealth goes another fact of large importance in connection with the availability of capital for the development of the country. That is the growth of the banking system. Especial note is to be made of the rise and prosperity of the savings banks. Here is a system of gathering into perceptible streams the little tricklings of savings

which went into the old stocking or the bureau drawer under the former lack of system, or which were no savings at all for lack of the inducements which the present savings bank system offers. Under the system people of very small means, putting aside their little sums for old age or for a rainy day, contribute to a total for the entire country of thousands of millions of dollars. A statement published in December, 1907, by a financial magazine put the total at almost \$3,-700,000,000. This money is put into business. It is capital made productive. It is a strong factor in the business development of many sorts of enterprises. Though its investment is restricted by law so that it shall not be ventured in risky schemes and shall be regarded as a sacred trust to be administered by its trustees, yet it affords a great fund for the absolutely safe investments near home and liberates other capital in the hands of those who will take larger risks for larger profits, and so it is a directly available fund for developing the resources of the country. This system was not a factor when the tariff system was established, nor for many years afterward. It brings into the money market, in such quantity as to be a material factor in the situation, the many millions which are yearly saved by the thrifty and prudent people of the United States.

Here, then, is the situation, the natural and inventive resources of the country always offer-

ing profitable investments for more capital than can be produced for their development, and demanding the employment of more labor than can be found for a supply. This is the chronic and healthful condition. Capital is produced in increasing abundance, though always insufficient for the demand, and prosperity follows every legitimate use of every dollar.

Right across this current of enterprize, which pours money into profitable ventures, comes the obstruction tariff policy and demands the interference of the government, by force of law, supported by all the power of the nation, to the end that this current of money shall be diverted from profitable investment to industries which are incapable of support if they are left to the natural conditions of the market. That is the very supposition which underlies their demand for a tariff. If they are put upon the same footing as other industries which men are establishing everywhere out of their fertile brains and long experience, they fail. They cannot stand alone. They cannot go out in the open with those who ask no favors of the government and hold their own. They are so weak that they cannot live. They are founded upon such unwise conditions that they cannot pay dividends nor give assurance of permanent employment to their labor. They are not fitted to the places in which it is sought to establish them. They are merely the result of the envious longing which comes from

seeing other men, in some other country, under conditions which nature has there made profitable, making money, and the envious man says: "If my government will pay the expense of permanent conditions like those, I can make money like that, too." But every one knows that the government has no money of its own. It all comes out of the people.

That is the challenge to the common sense of the people of the United States which is made by the obstructive tariff system. That is the gauntlet thrown down to their sense of fair play. This challenge comes with more force today than ever because the opportunities for profitable investment, without any interference by the government in any way whatever, are constantly multiplying. Capital for profitable investment is becoming more and more available as the prosperity of the country increases. The folly of investing in unprofitable enterprises is daily becoming more and more emphasized. Obstructionists will daily be harder put to it to find plausible excuses for their policy and the people will demand with more and more clearness that this interference with the current of capital flowing into money-making investments within our own borders shall stop. We are in a new era for capital, and the capitalists who have the sagacity, patriotism and courage to stand up without government aid will surely make themselves heard and felt.

CHAPTER X

PUBLICITY FOR FAVORED INTERESTS

Whatever differences exist regarding the wisdom and the justice of the protective system for industry, certainly all sides are agreed upon the proposition that the prosperity of the protected nation as a whole is the final criterion. It is not to be supposed for a moment that any people capable of self-government, or that any government not responsible to the people, would deliberately admit that it was pursuing a policy for the benefit of a favored class which would result in detriment to the nation as a whole. So much, then, for a common agreement at the outset.

It is not sufficient, therefore, to prove the wisdom of protecting any particular industry, to show that that industry has prospered under the protective system. Any industry which is permitted to have exceptional advantages in way of taking money from the people for the direct purpose of its own financial prosperity ought to be able to show such prosperity. If it could not show prosperity the presumption would be that some one had blundered. But a showing of prosperity would not prove necessarily that the entire community had been benefited as much as the protected industry. It must be a part of the demonstration, also, in order to show the justice

of the protection, that the direct benefit to the protected industry is so distributed through the community as to disappear entirely as direct benefit, giving to every person as many advantages as are enjoyed by those who own the protected enterprise. Otherwise it would be the fact that some of the people reaped an advantage over others at the expense of those others under a system of taxation which should bear upon all persons equally, which would be contrary to the spirit of our institutions.

It is the impossibility of demonstrating the soundness of the conclusion that all people are benefited equally under the protective policy which prevents, and promises to prevent forever, any demonstration of the wisdom of the protective theory so as to convince all citizens. But, since all must agree that the benefit of the public is the sole justification of any protective system whatever, it follows that some method, consistent with reasonable expense, if any there be, should be adopted in order to inform the public of the effect of the system, of the changes which are occurring constantly, and of the probable advantage to the public in continuing the policy of protection further in the case of any particular industry.

Though there has been no change in the matter of the right of the people in securing information, or in regard to the soundness of the policy of securing it, since the establishment of the

protective system, yet practically there has been a great change in the relation of the public to the system, a change which suggests and demands a new departure. We, as a people, are becoming far more interested, more intelligent and more practical in dealing with public service corporations. We have pretty clearly defined doctrines regarding the status of railroad corporations, electric roads, gas and electric light companies, water companies, insurance companies, and so on, under state laws. We give monopoly to certain corporations which serve the public. We call them "quasi public" corporations, and we control them by giving to officials who represent the people power to regulate their charges and by requiring them to make full annual reports to the public regarding the details of their business. Though power to regulate rates is not practiced in many instances, yet it is sufficiently practiced to leave no doubt of the right of the public over all corporations when the public chooses to assert its right. It has become an established principle with us in state legislation that public service corporations must render an account to the public for the benefits which they receive from the public. The corporations expect this, and it is to be presumed that the returns are made with some approach to accuracy. The right of the public to have the information is admitted by the corporations, and whether there is concealment or not, the representatives of the public have full

right and power by law to make any investigation which will remove all doubt regarding the fullness or the accuracy of the returns. The corporations know that they have no standing upon the proposition that they can refuse to inform the public regarding the details of their business.

Now, in the matter of our favored industries, it is to be noticed that they have their status as protected solely upon the theory that they benefit all people equally. They are a part of the governmental system of the country. They mark a long step in the socialistic tendencies of the times, for in them the people have established a system whereby the entire civil and military power of the nation is back of the law which excludes imports to a certain extent in order that certain consequences may follow at home. The nation, as a whole, is committed to support certain business enterprises. As a nation it is carrying on those particular kinds of business, by support of the public authorities, backed by the public forces, and for the public good. Enormous properties are involved in this policy, and therefore the protective system commits the people to an overwhelming extent to the carrying on of business enterprises for the production and distribution of goods as a measure of public benefit. By socialistic standards, the protective system is a long step in socialism.

Every one of the favored industries is there-

fore as truly a quasi public interest as is any of the corporations now known specifically by that description, such as the railroads or the public lighting companies. Their public nature is their most important aspect, and their ownership by private individuals is subordinate to their public aspect, just as the ownership of railroad stocks by private persons does not diminish the fact that the most important aspect of railroad property is its relation to the public. Private considerations must be secondary, for the well being of the whole is paramount to that of any part. First of all comes the public relation, and the policy of railroad management must be settled by what will serve the public best, not what will be of most advantage to the private stockholders. The reason why the public authorities refuse to permit street railway charges to be reduced below the point of paying a reasonable dividend to the stockholders, as has occurred repeatedly in Massachusetts, is not that the state is bound to see that private persons have dividends upon their investments as a matter of general principle, but that persons who serve the public by investing their property in quasi public enterprises are entitled to a reasonable return upon their investment as truly as if they were not under control of the public and should not be required by the public to be sacrificed for the pecuniary benefit of the public. But the state is no more bound to guarantee a dividend upon railway

stock to the stockholder in his private capacity than it is bound to see that every farmer secures a reasonable return upon his property every year.

Public considerations, therefore, being paramount to private, the principle holds for the favored industries. The public has a direct financial interest in all favored enterprises and, as a partner or financial supporter, is entitled to information regarding the condition of the business. As a matter of right, therefore, the favored interests should be required to make reports to the public,—annual by the precedent established in other cases,—just as the railroads, gas and electric light companies, the insurance companies and other enterprises are required to make annual reports. The people have a right to know, as closely as reports can show, what have been the details of the system, what has been the expense of operation, how much the rate of dividends, what burdens the public has assumed in order to give the protection, and what return it has received as a consequence of the assumption of the burdens. Though it may be impossible to measure the cause and effect in many cases, yet the public has a right to know at least all of the details which bear on their relations to the personal owners of the enterprises which are protected. Under no theory consistent with American principles of political rights can the owners of enterprises demand that the people be sharers with them in the burdens of their business as a

principle of public policy and then deny the right of the people to a full accounting in regard to the details of the business.

More than this, since the system is maintained by the public assumption of a burden, in the first place, with the expectation that the public will more than recoup themselves from the investment, it is right that no favored industry should ever be permitted to declare a rate of dividend higher than the average rate of dividends on safe investments. It may not be as low a rate of dividend as equals the rate of interest netted on a purchase of United States government bonds, but it should approximate that rate. If the business is capable of yielding any profit above that rate, then it is a fair proposition that the people should receive the benefit directly by a reduction in the prices for the product at retail, so as to bring down the rate of dividend, or, if higher prices are charged, then all that is received in excess of the moderate dividend should be paid into the public treasury. In either case, the owners of the enterprise, having bound the people by law, or the people having bound themselves, to assure a fair dividend, might well regard themselves as fortunate with such governmental backing, considering the risks suffered by those who stand out in the storm and stress of business without any governmental protection. This is a fair proposition under our theory of protection and no good protectionist can consistently object to it. If

objection should be raised, it would at once show that the protected objector believed that he had a right to use the public for his private financial advantage. Our theory of protection will not permit any such assumption publicly, whatever its friends may know of its aspects in private.

It may be said truly that it would not be practicable to enforce such a system of annual reports. It is true that our favored interests are exceedingly numerous and that the problem would be very complicated. We have duties on hay and cattle, lime and lumber, on fish, flesh and fowl, products of land and sea, animal, vegetable and mineral, of all sorts and conditions. It is quite true, as a practical proposition, that it would be exceedingly difficult and expensive to collect, digest and print the statistics which would show the bearings of the tariff upon the prosperity of the nation. But practical difficulties have no bearing upon the right of the people to get the information, if they choose to exercise their right.

Wherever practicable, therefore, it would be well for the people to obtain full details regarding the operation of the protective system, and certainly there are many branches in which it is possible to learn sufficient to warrant the collection of the figures. In the large number of woolen mills, cotton mills, iron mills, shoe factories, silk mills, and establishments of all kinds which are under organized heads, whether as corporations or unions or combinations of men in

any way, where records are kept, where there are pay rolls, where there is dealing with transportation companies, where there is a central office with clerical force, in all such cases it would be possible to gather statistics. The fact above all others which the public has the right to know is the rate of profit upon the investment which the enterprise is paying. Results concern the people most and the most vital result is especially subject to the requirement of being stated publicly.

Recurring to the fundamental theory of protection,—the benefit of the entire people regardless of any special benefit to any particular persons or classes,—it is to be observed that the theory of infant industry applies as truly to many enterprises not now protected as it does to the most highly protected industries. Though the doctrine of protection has come to be applied only as in this country, and the theory has special reference to warding off from the capital and labor engaged here the competition of capital and labor engaged abroad, yet this application of the theory can be sound only as a broader proposition is sound, and that broader proposition is that it is wise public policy for the people, in their collective political capacity, to support at a temporary loss any enterprise which promises to return to the people as a whole sufficient reward to recoup them for all outlays, or which gives such other continuing benefits (such as in-

surance against unpreparedness for war, intellectual or moral progress due to diversified industries, or other intangible but real gain) as will justify pursuing the policy at an admitted financial loss. Thus it is a practice for towns and cities to offer manufacturing establishments special inducements to locate with them. Thus all property used for religious purposes is exempt from taxation (though there are conclusive reasons why religion should not be under control of the state), and educational, charitable, literary and benevolent institutions are also exempt.

But the protective theory is not, *per se*, limited to application to industries open to competition from abroad. While public good is sought by the protective doctrine in giving popular help to the tin plate industry, the same reasoning applies equally to the establishment of a barber's shop, the opening of a new fruit store, or any other minor industrial or commercial establishment in any village or at any cross roads. Provided the governmental support during the period of inability to stand alone is continued till sufficient patronage is assured to warrant the withdrawal of the support, it will be profitable for the people as a whole, according to the protective theory, to give that support. The smallness of the enterprise is not a pertinent consideration, for the outlay required of the people would be correspondingly small. As in all other cases, the people would have a right to know the details of

the business in these small instances. The expediency of collecting the statistics would be another consideration.

Development of industries for the profit of the people as a whole, let it be noted again for another point in the argument, is the purpose of the protective system. The establishment of any protective duty, furthermore, is an advertisement to the nation at the outset that the industry cannot support itself without the protection, for if it could do so, the protection would not be necessary. Inability of self-support, therefore, with fair dividends for the capital and fair wages for the labor employed, is the first requisite of an enterprise asking for public help, implying a capacity in the enterprise to make adequate return subsequently to the public, and surely there is no end to the number of such enterprises as they may plausibly be made to appear before they have been tested. For Congress, then, the practical question is how to discriminate between applicants for protection, what criterion apply to the different degrees of inability of self-support, how soon the enterprise promises to become self-supporting, how soon the period of probation shall end officially and the experiment, if unsuccessful, be abandoned as hopeless.

From this point of view, therefore, it is imperative, if the people are to act as intelligent protectionists, to have some means for determining whether, in the case of any particular industry,

the return warrants the outlay. Manifestly, plausible candidates for protection are exceedingly numerous, for inability of self-support can be predicated of countless enterprises, and he must be a poor prospectus-writer who cannot make it certain to a demonstration that his particular scheme is sure to result in large public benefit. Some practical criterion, therefore, Congress must have, for with all the exceptional ability conceded to representatives of the people, surely neither they nor their constituents will claim that they have such prevision as to be able to foretell accurately whether or not the returns upon any particular enterprise will justify taxing the people in order to give it a start.

Presumably, therefore, in the nature of the case, since all men are fallible, there are some protected enterprises which are unprofitable for the public, and which will never be able to justify the protection given. Such enterprises ought to be weeded out, and surely there is no better way of learning the truth than by intelligently trying to find out about it. Some way or other the public ought not to be taxed perpetually for any kind of business which will never justify the expenditure. In making this inquiry, the utmost liberality of interpretation would, of course, be permitted, as is demanded by the protectionists, for indirect benefits in the way of increasing the business of the nation by bringing in other industries, by preparing the nation for self-reliance

in case of war, in way of developing the moral and intellectual faculties and resources of the people by having diversified industries, and by the other indefinite benefits which are supposed to inhere in the protective system, but which are admittedly incapable of measurement in dollars.

But, with all this liberality of interpretation, some enterprises are in all probability foisted upon the public which have not and will not justify the expense they cause. Therefore it is a plain business proposition that the people ought to have some means of discovering where they are putting money into a hole without any bottom, or whether or not they are doing so, in order that every unprofitable enterprise may be abandoned. As a matter of the right of the people to learn the facts, there can be no doubt. It is for the people to say whether or not the statistics should be gathered in any particular case. The proposition here maintained is that the people ought to have the machinery of determining, as far as practicable, what enterprises in which they are now engaged are presumably to be forever unprofitable, or if any are such, and that this machinery should be in exercise.

The fact that the people have thus far submitted to the *a priori* arguments of the protectionists that the protection will always work out a profit is no reason why such laxity in business methods should be permitted to exist any longer. It may be permitted here to wonder why people

like those of the United States, who have a pronounced, proclaimed and reiterated hostility to all *a priori* theories as such, who have always ridiculed free traders as *a priori* visionaries, and have always insisted that they themselves are strictly and exclusively practical or *a posteriori* demonstrators, should down to this day have accepted without examination the pure *a priori* theory that every protected enterprise is surely profitable and should never be subject to inquiry to see whether or not the *a priori* argument, in any particular case, is well founded. It would seem as if the people, judged by their own standard, had made themselves just a little bit ridiculous in not carrying their business principles to a more practical conclusion.

But since there is as much time coming as there has time gone by, it is timely now to introduce the needed reform and to provide a means whereby, for all the future, there may not be continued the support of enterprises forever unprofitable. It would seem as if such a proposition would be self-demonstrating to such practical people as the business men of the United States and they could be relied upon to demand of Congress the passage of the necessary legislation.

It is a practical proposition, therefore, that Congress take up the matter and arrange henceforth for an annual series of statements to show the benefit to the nation as a whole of the pro-

tection which is given to protected enterprises. Vast financial interests are involved, and it is of the first importance that the people keep up with the times. Conditions of production and distribution are changing every year. New inventions, new methods of cultivation, new ideas in manufactures, new ways of treating raw products make frequent changes in the status of any protected industry, in its value to the people, and in the practical bearing of the question whether the protective policy should be continued in regard to it.

The people of the United States have a right to a thorough examination of the system from its beginning, to learn how much the government has received in customs duties, how much from particular interests, and how much those interests have presumably benefited the country over and above their expense. Doubtless there are records in good preservation to enable the computation of duties received to be made for less cost than the value of the statement would be to the country. Doubtless, also, the sources of income to the government could be stated as far as they were divided among the great protected staples, such as iron, wool, lumber and so on. The proposed annual statement should give such details for the year covered, published and circulated at the expense of the people, for the benefit of the people, in order to show, year by year, the relations of the taxpayers to their favored en-

terprises. Prices of foreign goods in the protected lines, or labor in those lines, and of the cost of transportation, including insurance and all other items which enter into the cost of putting foreign goods into this country, should be made a part of the showing. Further than this, the annual statement should give, as far as the data would permit, the adequacy of the home supply to the home market, the probable cost of the goods without protection, and other items in the account in order to give the people as complete an idea as possible of the actual benefit they are receiving from the protective system in case of each favored industry.

Nothing short of such an effort to learn where they stand will be creditable to the intelligence of the people of the United States. To say that such inquiries will be fruitless will be only to affirm that we are going blindly and that it will be better to go blindly forever than to open our eyes. If that is a fair argument, then it is as pertinent to say that protection is unspeakably foolish as it is to say that it is supremely wise, and neither assertion can be disproved by facts. To assert upon general principles that protection is supremely wise and then to object to any effort to find out how wise it is on the ground that the result is incapable of determination would be such an extreme application of that *a priori* argument regardless of facts as would severely shock such a practical, *a posteriori* people as

those of the United States when they once realized the true situation. One cannot doubt that they will insist upon learning the facts, though the heaven of *a priori* theory should fall.

In regard to the benefit of protection to the nation as a whole, in case of any particular enterprise, it is to be noted further, that it would not be sufficient justification to show that there was a net financial gain by the transaction. Full publicity would be of invaluable help in certain cases. The annual report ought to show how the fund collected by the protective agency is distributed, supposing that a net profit is left to the nation as the result of the protection. The primary fact in the case of most of our highly favored industries is that a very few people handle the fund in the first place, for by the very theory of the system a great deal of the wealth it creates never gets into the hands of the government, but goes into the pockets of the owners of the protected industry. The invested capital is protected. But free trade in the labor of the men and women, boys and girls who work in the factories prevails. Presumably the labor is exposed to the competition of all other classes of labor within our tariff walls. The annual report ought to show, therefore, whether the fund accumulated in the hands of capital by the tariff is distributed so as to benefit all citizens equally. Is the wealth secured by the tariff practically held by a few or is it distributed according to the value of the

contributions made to it? Does it go for automobiles and yachts, dress and dogs, music and paintings, fancy dinners and the best wines, or for rent of small houses, for food, clothing, doctors' bills, education and religious purposes? Does the duty put a real burden upon the masses and increase the luxuries of the wealthy few, even though a total financial profit of the system can be figured for the nation out of its transaction? This is a fair and pertinent question. Some sort of solution can be reached approximately by experts employed by the people to serve the cause of the people, and there is not the slightest doubt that the people would gladly pay all of the expense involved in order to secure the facts.

Furthermore, this annual report to the public should set forth the true condition of the capital employed. Since the people's money is in it and the people are made by law to assume the risk of the success of the business when otherwise it is admitted that it would be a failure, they have a right, which ought to be a legal right, to know the truth about the combinations of capital and the risks which are run by more or less variations in the ability of the managers. The people have a right to know whether the trustees of their interests have been watering the stock of their corporations in order to conceal excessive dividends or to facilitate stock manipulations by inside speculators. They

have a right to know what rate of profit their investment is earning and what dividends are paid. They are entitled to know about the expense and method of management, how much is paid for legal expenses, where competition is felt most keenly, whether from home competitors or from foreign rivals, and what are the favorable and the unfavorable conditions surrounding the enterprise. None of these essential facts should be withheld, for every favored industry is first of all a public concern; its ownership by private individuals is a secondary consideration. The rights of the public are paramount.

Again, the annual report, in order to be impartial, should show where the protective system fails to protect sufficiently. If there is any kind of business where disaster has befallen or is threatening because the people have not put under it sufficient financial support, then it is only common sense, as long as the protective system is continued, that the facts should be published, as far as they can be ascertained.

Another pertinent point; it is affirmed, with specifications, that the protective system destroys industries as well as creates them. For instance, the former large iron manufacture of Massachusetts is affirmed by experts in that matter to have been ruined by the high tariff favors given to Pennsylvania. Other instances have been mentioned of prosperity destroyed, of employees deprived of occupation, of want and penury caused

by the protective system's strangling industries which could prosper and employ large numbers of people if the tariff were removed. Surely the government facility in collecting statistics could be well employed in these annual reports in showing how far such conditions were created and continued by the tariff and they could be balanced against gains credited to the tariff. Let the truth be given impartially.

It is submitted, in conclusion, that every proposition advanced here for publicity for protected interests is in harmony with the avowed purpose of protection. The plan can be objectionable to no one who is desirous that the system should be applied impartially. Aside from its status as a right of the people, publicity is only the application of common sense in a democratic government where all measures of public policy must be determined by the people eventually. It is true that there are practical difficulties, but it is also true that continued experience would reduce them, and the value of publicity to the public would increase with the lengthening of the base line upon which their calculations and deductions were founded. It would be no difficult matter for Congress to prepare a schedule of questions to be answered annually by a large number of favored industries, and the expert statisticians in the employ of the government, or in the service of large enterprises, would find a way to frame questions which would bring out the desired in-

formation or would force conditions which would result ultimately in the people's securing the information essential to the continuance of the protective system. It is absurd, economically and politically, to suppose that the present lack of knowledge of the working of the protective system will be tolerated by a people who profess to be intelligent.

CHAPTER XI

FREE-TRADE PROTECTION

President Roosevelt's espousal of the right of governmental regulation of corporations, with the tremendous popular support he has, bears directly upon the tariff, because the doctrine which he champions raises the deeper and more vital issue of the self-service of the people through public service corporations and public officials. In the nature of things, that cannot but help to renew the strength of the argument for infant industries. At the same time, it will fail to benefit the protectionist side as much as would appear at first, because it logically compels the conclusion that industries shall not be protected when they cease to be infantile.

Another force, which is already powerful and gains in strength yearly, which makes weight against the protection doctrine, is the constant and energetic effort which is put forth by business men in all nations to overcome the obstacles of time and space which stand in the way of immediate and thoroughgoing exchange of goods, whereby the localities which have the best natural equipment for production shall reap the full advantage of their commanding situation, as far as the ingenuity and financial resources of men have been able to annihilate time and space. This

young giant in the arena of tariff debate will challenge, in the coming revision, more than ever before, the entire practice of the United States in carrying out the theory of protection of infant industries by means of an obstruction placed all around the country to prevent foreign products from entering upon conditions which will enable the foreign producers to undersell the home producers.

Challenge, therefore, is sure to be made to the practice of tariff duties, while there need be no challenge, for the sake of the contest, of the argument that infant industries should be protected. The challengers can stand upon the proposition that whatever obstructs the free interchange of goods between countries is an economic injury to all the countries affected by the obstruction. It is perfectly consistent for a statesman to believe in the theory of protection of infant industries, but to hold that the protection should consist in a subsidy paid directly from the public treasury, making good the losses which the home producer suffers from foreign competition, leaving the exchange of goods between his own and other countries to be subject to only such obstructions as the ingenuity and financial resources of men have not yet overcome. Logically, therefore, a man can be a free-trade protectionist, and the term "free-trade protection" involves no contradiction whatever, how-

ever much it runs counter to current political usage.

Strongly plausible reasons can be urged in the coming contest for holding that it is unstatesman-like to maintain barriers between nations. All of the ingenuity and effort of the business world, in the presence of natural obstacles, attacks those obstacles with magnificent spirit and hopefulness. Bigger and faster passenger steamships, more capacious freighters, telegraph service which vexes even electricity itself to make it work faster and overcome remaining obstacles, improvements in the preservation of perishable goods, better business methods, international agreements, demands for uniform weights, measures and coinage, and, finally, a friendly way with the new world language, Esperanto, illustrate completely how obnoxious to the common sense of the entire business world is the idea that obstructions are themselves helpful to local prosperity. Burden of proof, under the protest of the common business judgment of the world, rests upon those who hold that business prosperity, even in the long run, can be promoted by the erection of obstacles to the unimpeded exchange of products, wherever natural conditions make exchange profitable.

Business judgment, it is evident, falls back upon the proposition, which does not require much courage to maintain, that it is immaterial what the nature of the obstruction is, so long as it is

something, of whatever nature, which prevents the exchange of goods as rapidly as would occur if the obstruction were removed. Whether it be time, or space, or mountains, or oceans, or ice, or sandy desert, or almost impassable forests, or national prejudice, or ignorance, or difficulty of language, or lack of vehicles of transportation, or lack of currency as a means of transfers of ownership, or lack of trust in the good faith of men, or an obstructive tariff, it makes no difference in the results to the nations between which the obstruction exists, as far as the consequences are concerned. Prevention of exchange must, in the nature of the case, result in loss of the profits of the exchange which would occur if the obstruction did not exist. Upon the nature of the obstruction depends the means which must be employed for its removal. Other important incidents may occur in connection with its nature, but it may be set down as an axiom in exchange that the nature of the obstruction has no relation whatever to the one inevitable consequence, namely, loss to both parties between whom the obstruction stands.

Very properly, therefore, while the term "protection" may be applied to the encouragement of infant industry, the term is wholly misplaced when it is applied to a tariff which puts an obstruction in the way of exchange of goods between different countries. "Obstruction" is the only correct term, and our so-called protection-

ists are really separated into two classes; the obstruction protectionists and the infant industry protectionists, who do not approve of obstruction. In the coming contest the cleavage which logically exists between these classes, but has hitherto not been revealed, in consequence of the outside pressure of politics which has prevented the split from showing itself, will probably gape wide open under the stress of the new contentions between President Roosevelt's views and the Dingley principles.

Our old style free traders still have the floor to demonstrate that it is unwise policy for any government to adopt the industrial infants which would make it their foster father. Their arguments have pertinence now as formerly. Their facts, statistics and theories are as timely as they were when the constitution was young and when forecast, rather than hindsight, was the main reliance in a debate in congress. But the unquestionable tendency of the times toward municipal ownership of various enterprises, the support already assured to governmental ownership of mines and railroads, the success of government enterprises with forests, mails, highways and other forms of self-service by the people, give a new force to the old argument for governmental support until an enterprise can be put upon its feet, and it is only reasonable to predict a change of front on the tariff battlefield.

It is not at all impossible that a large section

of the republican party, already restless at the sight of loss of profits which seem to be thrown away foolishly for the sake of maintaining a false theory, will break away from the obstruction protectionists and declare themselves free-trade or low-tariff protectionists, in the expectation of gaining the great profits which they believe to be lost by shutting out advantageous exchange of goods, while they would insist, with profound loyalty to the memory of Alexander Hamilton, Henry Clay, Abraham Lincoln and Horace Greeley, that they were still true friends of the infant industries. It would not be strange even now, if a majority of our people were free-trade protectionists, if they should analyze their judgment and become familiar with the term.

“Protection” gets half of its strength with the voters because it suggests a thing which every one wants. It fits in with our fear that some one else will get our job. It harmonizes with our Chinese exclusion law. It blends with the Californian aversion to the Japanese. It is friendly with the enactment against the importation of contract labor, even if it occasionally hits a foreign clergyman or a symphony artist. It cuddles and smiles and makes votes. It will have a new fondness for industrial infants, but it will be compelled to establish anew its right to its name in connection with custom house duties.

Evidently, for the entire people, the question

is whether the present system really protects them all. It is not the real issue whether certain interests which are allowed to tax the public get enough to enable them to continue in business, but it is the broad proposition whether the erection of an obstruction to the exchange of goods can increase the prosperity of one or both of the parties between which the obstruction is erected. Taking all things into consideration, are there more profits to a nation with or without obstructions to its trade with other nations? That is the issue. It does not concern the argument a particle to admit that the obstruction theory may be worked so as to cause more profits to the classes which have government aid in taxing the people than they would otherwise have.

The question for the entire body of voters to determine is whether the interests which profit by the obstruction return more to the nation than would otherwise be made, to recoup the nation for the loss which the obstruction would otherwise inflict.

It is a question of the distribution of products. Granted that certain interests are better off, is there as much, on the whole, to distribute to all the people, as there would be if there were no obstruction? To answer "yes" involves the doctrine that an obstruction tends to increase the general prosperity, that it makes larger the aggregate pile of goods to be distributed, and that

obstructions, in and of themselves as obstructions, tend to increase the quantity of goods to be placed at the service of mankind.

The proposition, if "yes" is the right answer, becomes general and ceases to be particular as applied to the duties levied at a custom house. If "yes" is the correct answer, then the broader the oceans which divide the nations, the higher the mountains which separate them, the smaller the ships which carry their passengers and freights, the slower the mails (with complete disuse of electricity as a means of information), the greater the difficulties all around, the more will be the quantity of goods to be enjoyed by all nations in the aggregate.

In the end, this argument finds its only outcome in complete national seclusion, in the separation of our states from their relations with other states, the walling up of our towns and the reliance of every village upon itself, if not every man upon himself, for the production of every article which he needs to keep him abreast of these times when a well-educated, well-dressed, well-fed and all-around man must lay even the ends of the earth under tribute to make him what he must be to keep up with his neighbors.

Questions raised by obstruction-protection, be it observed, are totally distinct from those raised by the problem of the support of infant industries. In the latter case it is to be decided whether it will pay, both financially and on broad grounds

of national independence in case of conflict, for the people to tax themselves for a time, presumably not so long that the end is not predictable, while the object of protection is unable to sustain itself, with reasonable assurance that, after it becomes self-supporting it will more than return to the nation the expense which has been incurred on its account.

First of all the conditions of protection of industrial infants, be it observed, is inability of self-support. If the enterprise is able to support itself, it needs no protection and the proposition to tax the public for its aid becomes nothing more than a bald scheme to take money out of the pocket of the public, who need all they can get, and put it into the pockets of people who have no pretense of needing it more than other taxpayers. The statement of the situation reveals the imperative necessity, in order that the people may act understandingly, of having some public and official means of knowing when an industry of the infant type is able to go alone, in order that its artificial aid may be promptly cut off.

For the sake of granting as much to the infant protector as he can reasonably claim, it may be conceded that many considerations enter into the case, both those which can be measured in money and those which cannot be so measured but are elements in the life of a community or a nation, such as diversity of occupations, in-

surance against calamity to any one interest, the advantages in way of schools, roads, libraries, and other public improvements which accrue from the presence of a large population. It is not necessary to be stingy in such an argument. If the protector of industrial infants insists upon computing these things, there is a plausible ground for giving them due consideration.

But all of these plausibilities combined have no necessary connection with the way in which the public aid shall be given. They do not show whether it would not be better for the nation, as a whole, to take the money directly from the public treasury than to take it by charging a fee for bringing in goods from other countries. Method of giving aid has become identified in our popular mind with the fact of giving it, and the effect of obstructions to trade has been overlooked, in political campaigning, in the argument that our infants still need shelter from the blast of foreign competition, forgetful of the possibility that it might be cheaper to buy them a wrap with the public money directly than to erect a general obstruction to trade.

It is practicable to protect a new industry directly. The determined effort for years to secure the passage of a subsidy bill in Congress illustrates how the business mind turns to that proposition when a customs tariff is impracticable. First of the conditions for protection, as already noted, is inability of self-support under

natural conditions. Now, money, and nothing else, is the measure of the lack. If money is given directly, every necessary condition of protection is satisfied. The purpose is fully accomplished. The process of protection is complete at that point. The enterprise is put upon its feet and kept there. The public shares in the venture to the extent of warranting it against competition sufficiently severe to reduce its owners below a reasonable dividend upon their investment. The public steps in and makes up to the employees enough money, in default of the ability of the owners to do so, to maintain a living wage.

More than this, the public is generous to a fault to the protected infant, for it gives this money to the investor and to the employees without any assurance that the investor has worked as hard or has shown as much business sagacity and integrity as the unprotected investor, and it makes up to the employees upon the openhanded sentiment that they are good workers anyway and ought to be well paid. If the infant is protected by direct taxes, it is not necessary to ask whether a tariff should be levied upon goods of the same sort from abroad, for, with the insurance by the government against the consequences of foreign competition, the tariff question need not be raised, for the industry will stand its ground. By means of the money given from the public treasury it can sell as low as its foreign rivals and

its prosperity is absolutely secure as long as the public will pay the money necessary to make up the deficit of income. It is wholly a matter for independent determination whether the desired protection shall be given by means of a direct subsidy taken from the public treasury, or by the device of putting an obstacle in the way of the free interchange of goods between the country and the other countries of the world. Legitimate trade means money-making, or the creation of substantial wealth. The more trade, the more wealth, in the long run, hard times and good times. It would therefore be money in the pockets of the people of the United States to put every protected industry on the sick list, pay the deficits from the public treasury, put their hands into their pockets for the government expenses, and trade to the full wherever on the face of the earth the most money could be made.

Since then, the protection of infant industries can be separated completely from the levying of customs duties, and since the latter practice has strong opposition in the dominant political party in portions of the East and in business centers in the West, it is to be expected that the renewed effort to pass a bill reducing the duties will persist until something has been accomplished. If the contest were broadened in scope to comprehend the entire question of the validity of the obstruction argument, it would force to the front the problem of raising sufficient revenue for the

support of the government. In view of the fact that more than half of the government's income is raised by the customs duties, the rejection of the obstruction theory as a positive damage to the general prosperity would require the bringing forward of some substitute.

But that would merely bring into national finances a problem which is already urgent in state finances. States cannot establish custom houses as a means of raising their revenue and the taxation problem is acute in some of them, at least, as the investigations recently made in New York and Massachusetts prove. It is not pertinent for the obstruction protectionists to raise the constitutional objection that direct taxation by the national government has been held by the United States supreme court to be unconstitutional. Financial laws and policies have precious little regard for man-made constitutions or laws. If the United States were an old man, with only a few years longer to live, or if the earth were in the decrepitude of age, as Professor Percival Lowell shows Mars to be, then it might be pertinent to say that it would not be worth while to disturb the existing order of things for the few remaining years we, as a nation, had to live. But, since there is, for practical purposes, as far as we can forecast the future, as much time coming as there has time gone by, measures which involve a constitutional amendment are as fit for discussion as those which are already permitted by the

constitution. Direct taxes, or inheritance taxes, or heavier interval revenue taxes, especially liquor and tobacco, income taxes or any other way of collecting money which satisfies the demands of justice and expediency, whether or not it is now possible under the constitution, may properly be debated as an alternative to a system which puts a serious obstruction in the way of such free exchange of commodities as the common sense of the business world, when the question of obstruction is considered by itself alone, affirms to be an unqualified evil.

Obstructionists, in the present juncture, considering the unanimity of the business judgment against the merits of obstructions as promoters of prosperity, may be properly challenged to come into the forum of the nations and prove that they are right. Though they have that possession now which may be nine points of the law, yet, considering the advances which public sentiment has made, considering the modern exertions to remove obstructions of whatever sort, it is pertinent for the people to challenge them once more to prove their case and to make a new demonstration that the business judgment is wrong and that the way to increase the total quantity of goods to be distributed is to increase obstacles to an exchange between the several most favored producers.

Incidents connected with the obstruction sys-

tem have weight against it, in addition to the damage inflicted upon the general welfare. Though it is true that the activity of custom house officials in politics is not a cause of complaint as formerly, especially as when the New York situation dominated the state and more, and when the assassination of President Garfield was charged to the excitement due to the system, yet it is true, even now, that our civil service laws are enforced only by constant watchfulness against politicians who are ready to violate them when violation seems to be safe, and that there is always danger that scandals will break out somewhere in the custom house system. That is a consideration of great weight in view of former practices and it always counts for something as an inevitable attendant of the obstruction policy.

Again, the expense of maintaining the obstruction system is no small count against it. The line of custom houses around our borders, the thousands of officials and employees, the delays and vexations to trade, the actual losses which these delays cause, all these make a financial argument of no small force against continuing the obstruction, if the object of protection can be secured in another way.

Still further, there is the moral argument. And this is no small consideration. From time out of mind, down to the present, it has been notorious that struggling is practiced constantly and with the sharpest wits. Perjury seems to be

held as a venal offense if it is committed against the government tariff inquisitor and, if current statements which seem to be true are really so, the women of the country are as hardened as the men, even if they do not take positive pleasure in a game of cunning with those whose duty it is to discover frauds upon the revenue. These evils are chronic and are recognized as great. They are briefly mentioned here in order to remind one that other reasons than financial have weight against the obstruction theory.

But the time seems to be near at hand when the exigencies of the situation will force a renewed conflict with the deliberate obstruction of trade, since it has no necessary connection with the principle of protection for infant industries in whose name it makes its insistent demand for public favor. Business common sense is so contrary to it that the challenge must be renewed, in the very nature of things and the obstructionists will be compelled once more to show how an obstacle to the exchange of goods can benefit one or both of the parties concerned. Free trade protection may be a popular argument for those who believe in favoring infant industries, before the coming tariff struggle is ended. In the meantime, and until the obstructionists can demonstrate to the contrary, it is pertinent to hold that the problem which they set before the country of so putting an obstruction in the way of trade that it will increase the quantity or value of goods to

be distributed in the aggregate (making the effect of their action depend upon their intention, rather than upon the laws of trade which are supreme over their action and take no account of their intention), is precisely like the old sportsman's problem of how to shoot at the thing in the bushes so as to hit it if it is a deer, but to miss it if it is a calf.

CHAPTER XII

“PROTECTION ” ILLUSTRATES SUCCESSFUL SELF-SERVICE

With all due respect to standard writers in behalf of the theory named “protection,” the affirmation is made here that in the discussion of obstruction of trade for the alleged benefit of the obstructors, two distinct facts have been tangled together.

When an enterprise is started, business men do not say that it is a failure if it does not return a profit from the beginning. They say, and common sense says, that time must be given for it to get upon its feet. If a private person, partnership, or corporation starts in business, loses money for a while, and then gets upon a permanently paying basis, no one charges failure. It is the usual course of business. It is all right that the money should be risked. It is to be expected that profit will not accrue immediately. The risk does not constitute a claim to be helped by the public. Nor does the fact of immediate loss give the investor a rightful claim upon the public treasury, either in law, in morals, or in public opinion. The investment was a private affair, and the fact of employing a large number of men, with the necessary accompaniment of building up a village where they dwelt, or of

adding to the population of a city, and of creating or enlarging a local market for dry goods and garden truck constitutes no ground for a claim upon the public treasury. If the principle be conceded in the case of one industry, it applies to all with equal force and fairness.

Industries which have been permitted to take out of the people what they could not take with an open market have prospered. That fact has so influenced voters in the United States that they have voted repeatedly to continue the system. But, if they will think twice they will see that the theory which has been proved to be successful is not that the quantity of goods in the world is increased by putting obstructions in the way of trade, but that when the entire people back up an industry, it can succeed. That is the extent of the demonstration. It is not demonstrated by the permanent continuance of protected industry that the wealth of the world has been increased by the artificial interference with trade. When the demonstration is rightly valued, it proves that the self-service of the people may be successful, or that their abounding productiveness can make up the losses in one department by the gains in others. But no accumulation of facts about workmen employed, wages paid, local markets created, churches built, libraries endowed and any amount of good things produced out of the gains of the protected industry can constitute a demonstration that the wealth of

the world has been increased by the obstruction to trade. All that can possibly be proved by the most profuse display of benefits from a protected industry is that there has been paid for the products of the industry by the consumers sufficient to recoup the investors for their outlay and to leave a margin. But there cannot be, in the very nature of the proposition, a demonstration that more wealth exists than there would have been if the tariff had not been imposed. Any alleged demonstration from the abundance of the seeming benefits is of no account as long as the question remains unanswered how obstruction to the creation of wealth can create wealth. That is the one point to be cleared up and no figures of gain for any particular industry, or for any particular locality have pertinence to the real proposition. All that is demonstrated by arrays of figures and pictures of corporation and municipal prosperity where the industry is located is that the public contributions by all the consumers of the goods made under the tariff have aggregated large amounts.

If it be made plausible that the protected industry has resulted in the creation of more wealth than the locality or the country would have enjoyed had not the industry been started at all, then it is not proved that the policy of obstruction, *per se*, is a sound theory for the promotion of wealth, but that it may, under some circumstances, be profitable for the public to engage in

business. The obstruction policy cannot be successful if the obstruction must be permanent. Taken in its true light the most that can be proved by the success of any protected industry is that public ownership, or public management of a great industry, has not destroyed the ability of the people to continue the policy.

Success for the obstruction policy seems, superficially, to be proved by the plentifulness of the money which, in some cases, is poured into the treasury of the industry to which the people are forced to make contributions. But the constant agitation of the question will certainly bring out, more and more clearly to the popular mind, the truth that the obstruction of profitable trading, which is really a destruction of wealth, cannot add to the general prosperity. Wherever an industry has really been helped, by public aid, to stand upon its feet, therefore, it is so much of a demonstration of the ability of the people, under certain conditions, to engage in business. It is true that the direct management of these successful enterprises has been in private hands. No reports to the public have been demanded. No accounting for the funds contributed by the people has been attempted. But the real financial backer has been the public. The demonstration is that the public can so promote a business at first unprofitable that it may become profitable, or not so clearly unprofitable as to compel the people to abandon it.

Considering the tendencies of the times toward self-service by the people, this demonstration is sure to appeal more and more forcibly to the mass of the people. It is sure to be taken up with more and more urgency by the political leaders, even by demagogues, and it promises to have wide influence in future national campaigns for the election of members of Congress and of the president. The principle is too important to be neglected and, again, it is evident that the old order of things has passed and that a new tariff era is here.

CHAPTER XIII

TRADE-TAXATION DESTRUCTIVE

Both sides in the tariff contest agree in taxing trade. Protectionists tax it in order to keep foreign goods out of our markets so that home products may have a better field. Revenue tariff men tax it in order to raise money for payment of the expenses of the government. In opposition to both sides the proposition advanced here is that it is bad policy to tax trade at all, whether for protection or for revenue, but that, in itself considered, it should be absolutely free. Justification of a tariff for revenue lies in the fact that it is less an evil than a tariff for protection. But it obstructs trade and it puts burdens of supporting the government on consumers of imported articles, burdens not shared by other people, but which reduce other people's burdens and is therefore unjust.

Trade is a means of making property. To tax it is a partial destruction of the very thing which it is necessary to have in the largest quantity possible in order that the burdens of the government may be as light as possible, besides making the comforts of the people as many as possible.

Both taxation for protection and taxation for revenue are open to the just criticism that they

prevent the production of property, or, what is the same thing, they destroy property. Both should be abandoned, and taxation for revenue is less objectionable than taxation for protection only because the injury it inflicts upon trade is less in amount.

These are the fundamental propositions to be made convincing to the people of the United States so that henceforth they will not attempt to pay the expenses of their government by a means which cripples the very resources whereby they make the money to pay these expenses, but will make trade free, so that property may be created with the utmost facility and thus the expenses of the government be paid with the greatest possible ease.

This line of reasoning makes no account of the great expense of supporting the system of custom houses all along the seaboard and on our northern and southern frontiers, a consideration which is entitled to the exact weight of its cost in the argument, upon financial grounds. It makes no account of the political corruption and twisting of politics involved by the presence of custom house officials in national concerns, using official position for party service. Both of these arguments are justly to be considered upon the negative side of the tariff proposition, whether the duties are levied for protection or for revenue only. Here the argument is raised to the higher plane of the unwisdom of the taxation of trade

under any consideration. Trade is a means of making property, and therefore the proposition is not only that it is bad policy to tax it, but it is the stronger assertion that, no matter where else taxation may fall, trade is the very worst place under the sun for it to be imposed, except where money is made faster than by trading, where taxes would be more crippling. Government must be supported and property must be taken by compulsion as the only means of supporting it. But property should be taken after it is made, not during the making. Encouragement to the fullest extent ought to be given to the making of property, and if those who have such a warm corner in their hearts for protection could only realize that this is really the proposition which ought to have that snug shelter, then our prosperity would increase as it became easier to pay our taxes.

This is our proposition, that, with absolute freedom of trade all over the world, other things being equal, there would be the most rapid creation of property possible. Profits of trade would be materially larger than they are now. That high and forbidding wall of tariff taxes, which averages, for this country, about half of the value of the goods imported under a duty and which, in some cases, rises far higher in proportion, and, in still others, is at a prohibitive figure, would be leveled to the earth and there would be only the obstacles of nature to forbid the ex-

change of goods. Profits of trade could not help being much higher and therefore the supply of the people of the nations with the necessities and luxuries from all quarters of the world would inevitably and materially increase as soon as the obstacle of the tariff were removed from human sight. Comfort, enjoyment, health, education, pleasure, travel and all that goes with larger measure of goods would be shared with the poor and rich alike. A positive leap forward in civilization would be made the moment tariffs were abolished and the people who would feel the relief most keenly would be the poor classes who must now bear the burden of heavy government charges upon the necessities of life. Mention of the tariff on wool imposed by the United States is enough to suggest the consequence of absolute free trade in the staple in raw form and in every variety of its manufacture.

Again, all the taxes which are necessary to keep in operation the present machinery of the custom houses for the collection of the duties would be, by so much, a clear addition every year to the wealth of the world. Prosperity would be widely diffused by the removal of the dams which prevent it from flowing to the people freely, almost beyond the power of the imagination to conceive.

Modern civilization develops many demands for luxuries. These luxuries are brought from all quarters of the earth. Business men pene-

trate to remote places where natural treasures are produced under the most favorable circumstances. Steamship lines build up trade with people of strange languages and customs. Our home markets are supplied with articles about whose production we are ignorant and of whose origin we know almost nothing. Luxuries become necessities. The world is brought together into one general world market. Permanent and profitable trade relations are established. Every locality, with the whole world for its market, is eager to supply the world. Each special manufacture and each agricultural paradise, where nature is lavish for one particular product, each rich mineral deposit and each seashore town, visited by the tribes of the sea in a peculiar magnitude, concentrates its attention upon what it can supply most profitably and which, of all it can produce, is most in demand. Thereby it makes the largest possible margins. Exchanges of products with other localities, favored by nature in other ways, are promoted where they are impossible under tariff restrictions. Wealth, the profit of legitimate trade, increases far faster than is possible by the restriction of the process of creating property as freely as possible and each and all communities reap the largest possible profit with the smallest possible outlay of muscular exertion, or of money invested or of mental effort to capture and hold a satisfactory market, with a larger guarantee of a permanency of conditions, both for the lo-

cality which produces its special fabric, crop or metal, and for every other locality whence it draws its other supplies in exchange. All our talk about an open door seems very small and tame in the presence of the possibility of all the markets of the world wide open at all times. Yet the first condition toward securing that incalculably profitable world-wide, permanent, open market is that we show ourselves ready to buy anywhere in the world where we can buy most cheaply. Nobody can force us to buy. But, with untrammelled markets, our buyers would give their orders anywhere on earth where they found the goods of the best quality and at the lowest prices.

Under such conditions, world prosperity would go forward as it has never yet done in all the history of international trade. Property would be created far faster, and in a perfectly honest and legitimate way, than can ever be possible where trade is taxed, thereby suffering a serious obstacle in the way of its creation.

It has been laid down as a principle of taxation that taxes should be levied where they can be borne most easily. Somehow, in the practical application of that wholesome axiom, it has been assumed that money in business is in the most advantageous position for sparing a part of itself to the tax-gatherers. But that application is here vigorously disputed as unreasonable and destructive of the production of wealth. On the contrary, the true proposition is that the easiest

way to bear taxes is to have as much property as possible wherewith to pay them and the only reasonable way to get all property possible, honestly, is to remove every removable obstruction in the way of the creation of property.

It is generally admitted, and it is easily seen that each party to a bargain gains by the transaction. Otherwise neither would make a trade. After the exchange each is better off than before. There is more wealth in the community when property is in the hands of the consumers than before it is distributed. In order to pay taxes most easily, therefore, all property that can possibly be made, honestly, should be made. After it is made, then let the tax collector take for the support of the government such as is necessary. But open every door of trade. Take off every burden. Let ships sail the sea wherever their owners think they can find a profitable cargo. Let steamers come to our wharves loaded with the goods of foreign countries, bought in as large quantities as our needs require and as near the spot of production as possible, on the lowest terms possible. Let no custom house officer try to cut off the profits which the importer should have as the reward of his venture. Let the goods be distributed to the people who want them as widely as possible and as freely as the price of production and the cost of transportation will permit. Remember that the value of imported goods increases at every step of their

distribution till they are upon the table of the consumer. When they represent the utmost wealth of which they are capable, when the community is enriched by them to the full amount, then let the taxes be put upon property in such way as wisdom dictates, but not before the full development of the property has been reached.

So it should be with our exporters. Let them have full swing with their foreign trade. Let the ports of the world be open to them: The more they sell, the more they have. Then, when their returns have been reaped from their ventures, when the wealth of trading is fully worked out, let the burden of taxation be put upon the property. Then the government gets its full share, as thoroughly as by the restriction of trade, but the taxpayer, having greater abundance for the payment, has a larger quantity left and is, therefore, better off. Larger private means would mean a stimulus to further trade, as well as larger enjoyment of the necessities and comforts of life. It is a reasonable proposition, making due account for extravagance and foolishness, that the larger part of the additional wealth would be spent reasonably. The real wealth of the people would be increased. There would be an upward movement in the substantials of civilization which would not be possible without the wealth created through free trade, over and above what could have been produced, even by greater effort, under the policy of deliberately

preventing trade. Unless the objector is prepared to maintain the proposition that property is not created by the mere fact of trading, there is no escape from this conclusion, and the man who maintains that position sets himself against the universal testimony of the world and against the common sense of everybody who ever struck a bargain or made a purchase of any sort whatever.

An unexpected indorsement of the proposition that trade should not be taxed is found in the official report of the Massachusetts recess commission on taxation of 1907, made to the legislature of 1908. In connection with the discussion of the proposition to tax transfers of stocks and with mention of the fact that New York state derives a revenue of several millions a year from such a tax, the commission says that it is "of the opinion that in ordinary times it is unwise to place a tax upon commercial or financial transactions." This opinion is unanimous, yet some who signed it are protectionist republicans. This revelation of the clearness with which they see a truth when the colored glass of partisanship is not before their eyes is highly encouraging.

It is not affirmed here that manufactures should be upset suddenly in order to establish the ideal conditions for the creation of property, any more than it is proposed by tariff reformers to give no time for turning around to those who would

be affected by the change. But it is affirmed that when the true ideal is seen no time should be lost in adopting the right principle and making it operative as soon as practicable.

In the process of taking off the tariff taxes which destroy property and prevent the creation of property, it is quite probable that a tariff for revenue would be the most practicable avenue of reaching the conclusion. But, with the understanding that the policy was temporary and was the best way of reaching the desired end, such a policy would be justifiable and could honestly appeal to the voters of the country for support. It would give time for the adjustment of manufactures from the unwise stimulation which set them up in violation of the natural conditions and, if there be any truth in the affirmation that a tariff prevents the exchange of goods (which is admitted and affirmed by both parties in the controversy), then the increased exchanges and the gradual approach to natural conditions, when obstacles would be reduced to a minimum, would point the way to further progress in the same direction, until the goal was reached and trade was as free as possible under the limitations of time, space, race, language, customs and international distrust. The change would have been made by evolution and not by revolution.

CHAPTER XIV

THE DEPRESSION OF 1907

For a time as long as a majority of the people of the United States will remember the fact, the depression of business which began in 1907 will be a cause of weakening the confidence of the voters in the tariff system. That this depression occurred when it did was of large public importance. It came upon the country when business was exceptionally prosperous. The lowest depth of the stock market was touched in the autumn, just when there was full assurance of good crops successfully harvested. Our great staples were abundant in quantity and good in quality. Neither drouth nor flood had materially affected the plenteous return. Insect pest and blight had not been unusually destructive. Manufacturing was in full swing. Orders were booked far ahead of the capacity of the mills to fill. Wages were on the up grade. The sky was clear of foreign complications and the presidential election was too far off to be given as a reasonable excuse for the calamity. Yet it came with overwhelming force. In some respects it exceeded that of 1893 and was paralleled only by that of 1873.

Its significance as tending to a permanent discrediting of the tariff lies in its coming in a

republican administration. It is impossible to consider the case fairly without mention of partisan politics, but the effort will be made to consider it so impartially as not to be open to partisan criticism. In 1893 the financial disaster broke with all its force in the spring, only a short time after the inauguration of the democratic administration of President Cleveland following the republican administration of President Harrison. "Post hoc, ergo propter hoc" was the argument from that time on, till the depression of 1907, with which republican and protectionist writers and speakers always referred to that financial storm. Even down to the month of the worst stock conditions of 1907 a high protectionist publication kept up its affirmation — and perhaps holds its opinion still — that it was in consequence of the democratic victory of 1892 and the inauguration of President Cleveland March 4, 1893, that the crash immediately afterward overtook the financial and industrial world.

It is a fact that this argument that the crash came after the democratic victory and was therefore caused by that victory was sufficient to turn many voters of the democratic ticket in 1892 to the republican side permanently, at least till 1907, even though the Wilson tariff reduction bill was not passed till much later than March, 1893. In 1892 prices were high. Necessities of life cost heavily. General complaint was loudly

made against the tariff and the sweeping democratic victories followed. After the crash came the temptation was too strong to resist and republican politicians made the most of their opportunity to put the blame upon the democrats. Let it be conceded that most of them did this either honestly or in ignorance of the laws of finance, simply from the politician's practice of turning every possible point, whether rightly or not, against his opponent.

After the crisis of 1893 the democratic leaders, not equal to the task of challenging republican assertions and proving them to be unfounded, abandoned the issue and the country was swept by the silver wave of 1896 and 1900, while the tariff was as dead politically, for the time, as the rag baby issue of the late seventies. Following the McKinley tariff came the Dingley tariff with the highest rates ever known to the country. Protectionists made the most of their opportunity after the republican press, with the apparent backing of the entire manufacturing and financial interests of the country, had united in denunciation of the revenue theory of the tariff and had saddled all the financial evils of the times upon the democratic party, although the Wilson bill had been so far mangled by the manipulation of protection democrats that President Cleveland refused to sign it and let it become law without his approval. All vitality of the tariff issue had departed and protectionism had its full and

perfect work. Dingley prosperity satisfied the laboring men who had been frightened from their position in 1893. No head could be made against the facts of rising prosperity, and the nation which learns that the fire is hot only by burning its fingers waited once more for its lesson, all the while asserting that at last, with the Dingley tariff, it had passed beyond the period of crashes and that henceforth, for an indefinite future, prosperity was assured.

Such is a fair recital of the succession of events and of the state of mind among party leaders and among the mass of voters. Republican administration was synonymous with prosperity. People felt sure, as long as a supporter of the Dingley tariff was at the head of the executive department and as long as a republican and protectionist Congress was at the head of the legislative department, secure in both branches, that trouble could never come. Many were the voters who accepted as Bible truths the assertions that democracy was synonymous with disaster and that republican supremacy insured constant employment with high wages.

Therefore it is a political event of large importance that the demonstration of the falseness of the politicians' assertions was made in a republican administration, when all the agricultural and manufacturing and political conditions were favorable and when not the most ingenious politician could possibly put the ex-

planation upon the democrats plausibly enough to convince even a stupid voter. This financial catastrophe demonstrates to the people that there are financial laws and that those laws are not conjured with by the mere mention of a party name, as if "republican" or "democrat" were a magical word, acting without reason or force behind it to upset the mighty forces of the business world. Henceforth, as long as the majority remembers this crisis of 1907, voters must have some reason, beyond the mere mention of a party name, to explain a financial event. Henceforth the name of McKinley or Dingley will not be synonymous with almighty power over the realm of business, but the existence of forces independent of verbal formulas will be admitted. The voters will demand truth, not blind appeals to partisanship. Therein lies part of the significance of the renewed hostility to the tariff.

CHAPTER XV

TWO INCOMPATIBLE POLICIES

Our servants, the office-holders at Washington, have a practice of publishing consular reports informing the business men of this country of apparently profitable openings abroad for trade. Our lynx-eyed representatives in hundreds of foreign cities study the market conditions, the equipment and the practices of the manufacturers under their observation, the tastes of the people among whom they mingle, the relative cost of manufacture and transportation, and the needs of certain supplies and write to their superiors at Washington what they believe would be good business policy for exporters of United States products, or investors of capital from the United States. Government resources, that is, the money of the people, is spent in order to develop our trade with other countries, and this is universally accepted as sound business policy and as within the legitimate scope of the government. Such action comes, of course, under that theory of the government which regards the administration as the servant of the people to promote their business prosperity, as well as their political stability and to secure peaceful relations with foreign powers. Whatever fault critics may find with that theory of government is not our concern

here. We have to consider the theory in its relation to the accepted policy of the obstruction of trade for the supposed prosperity of the entire country, including the general public, as well as the favored interests directly.

It must be accepted as a fair statement of the purpose of the tariff policy that it is to promote the business prosperity of the whole country. It is further absolutely fair to say that the protection theory requires duties to be imposed upon competitive products. It is further absolutely fair to say that the tariff would not be required for the shelter of our manufacturers if we could produce them more cheaply than foreign producers. These are perfectly simple and admitted proportions, but it is pertinent to mention them here in order to get our bearings correctly.

Now, to put one of these propositions in other words, the foreign producer can produce his goods and put them upon our markets, in the absence of the tariff, cheaper than they can be produced here. He has a natural advantage. Those goods are the kind which he can produce with the most profit. It would be most for his prosperity if he could engage in that line of production as extensively as possible, for in it he could make his largest profits, and then, with those profits, he would buy other things which he must have. This is so plain as to secure, of course, the concurrence of every tariff supporter.

But our tariff aims to exclude from our mar-

kets these goods upon which the foreigner can make his largest profit. That is, our tariff is a severe blow right in his face. It is an act of commercial hostility, with the financial side of which we are at this moment concerned. If we cut him off from making his largest profits, we reduce thereby his ability to buy of us. That must be very evident. Without obstructions, he could lay his goods upon our counters and would be able to buy our goods in return. But by just as much as we prevent his making such profits as he might make were it not for our obstruction to his trade, by so much do we cut off ourselves from selling to him. He is absolutely poorer because of our action, unless he can find another market equally profitable. But other countries believe also in the obstruction policy and such other market is closed.

It is the theory of our tariff that by it we are promoting the general welfare, not particularly that of any one or any few manufactures. Therefore it is not a sufficient reply to say that certain manufactures in our country are profited by the obstruction, while there are plenty of people in other parts of the world than the foreign manufacturer of the competing product who are not made poorer by our policy and who, therefore, are still able to buy. If we destroy a good customer, wherever he is, then we have injured our foreign market by so much. Still further, if people in other parts of the world have been

forced to buy from us, by reason of our crippling the foreign producer, so that they have to pay a higher price than they would otherwise, then we have crippled other foreign buyers, as well as the competing manufacturer. It is a fair presumption that the man with the most advantage, making the largest output, could do his wholesale business so as to give all customers, both ourselves and other nations, the lowest prices. Therefore, since we reduce his wholesale transactions, we injure third parties, as well as the manufacturing foreigner, the second party, to say nothing about ourselves as the party of the first part.

In regard to what happens to ourselves, it is not necessary here to write. That is familiar ground. It constitutes the principal reason why we should abandon the policy which cuts us off from a supply of our needs cheaper than we can supply ourselves. But the argument is none the less sound because it is familiar. Truth, though stale and unpopular, is just as resistless as when it is first discovered and it can be relied upon just as implicitly and supremely to work its full retributive justice and penalties upon those who have contempt for it or who, in ignorance, defy it. Noting this, there is no occasion to dwell upon what is familiar. Its soundness and its pertinence are sufficient mention while we pass to the second part of the main subject.

Now, as to the foreigner whom we have shut

out of a profitable market, careless or even delighted if we cause him to suffer loss and miscalculating the effect upon ourselves of our own policy. Having got him where we want him, commercially speaking, as a competitive producer, we proceed to advertise our goods to him. We send our agents there to introduce our manufactures. We do all we can to develop our foreign markets. We instruct our official representatives to send us what information they can gather about the openings for business and we act as if we would like to promote closer business relations with them.

Does any tariff man recollect the delegation from Argentina which came to this country a few years ago? We had trade representatives there who saw the great opportunities for profitable exchange of products. Argentina is a prolific producer of hides and wool, two articles which are in large and constant demand in our country. These men from Argentina, the very flower of their business representatives, came here on their errand of promoting friendliness and better trade relations between the two countries,—“sister American republics,” as we were lovingly called. They were welcomed in New York, Boston and elsewhere by boards of trade and similar organizations. Elaborate speeches of welcome and of fine hopes were made to them at sumptuous banquets at flower-bestrewn tables. The hand of brotherhood was held out to them and

it seemed as if the visitors and their hosts were personally about ready for the millennium, whatever was true of those who did not attend the receptions. Rounds were made from city to city, welcomes were given, hopes held out, farewells were said. Then came the sequel, the utter blasting of every hope of the representatives of Argentina, the refusal to make an inch of concession of the duties on wool and hides and the millennium took up its etymological meaning of a thousand years off — if that be its meaning.

More than that, one of our merchants, personally acquainted with some of the visitors from long residence in their country, learned from them that they felt very bitter over the outcome, as if they had been deluded and slapped in the face. That emphasizes a feature of our treatment of the foreign producers other than the commercial by our high tariff, and that is the mental consequence. Psychology operates as well as dollars in these contests. If we hit a foreigner hard, even in careless selfishness, looking out for only Number One, then he feels injured. But if we add, as we certainly do, the element of satisfaction over his discomfiture in consequence of our hostility, then he feels enmity in consequence. This is only human nature, and this is one of the consequences which we must be prepared to recognize. Mutual injury of nations by means of trade restrictions tends to promote not only commercial warfare, but hostile political and diplo-

matic relations. Plenty of evidence of this is seen every year in our relations with foreign powers, and the development of feeling toward Germany in some quarters, whether or not it has reached a point of appreciation in the department of state, shows its effect upon public sentiment, and public sentiment, when ripe and strong, is sure to influence the department of state. Tariff hostility is an edged tool which ought not to be trifled with.

No better unofficial instance of the appreciation by our business men of the necessity of promoting our foreign trade can be given than the "national convention for the extension of the foreign commerce of the United States." It was held in Washington, beginning January 14, 1907, and the invitations were issued by a special committee of the New York Board of Trade and Transportation. The first name in the circular is that of Cornelius N. Bliss, well known both for his political record as a member of President McKinley's cabinet and as a New York business man, and therefore he is a peculiarly representative person. Each governor of a state was invited to appoint ten delegates and there was a large representation of trade organizations. The invitation contained this significant passage:

"The obstacles which have hampered our efforts to develop the commerce of the United States with

foreign countries are evident to everyone familiar with that trade. That those obstacles should be removed at the earliest possible moment is unquestioned if we are to attain pre-eminence instead of remaining, as we are, far in the rear in the struggle with Europe for foreign commercial supremacy."

Considering the political power of the committee, special meaning must underlie their assurance when they say:

"We feel assured that the National Government will give the full weight of its influence towards the success of this movement and that Congress will promptly and adequately respond to any well supported demand for legislation which may be deemed beneficial to the interests of the country as represented in the Convention."

As further evidence of official approval, thus giving the convention the aspect of a union of private and official powers, the invitation said:

"The Committee has the very great pleasure to announce that the Honorable Elihu Root, Secretary of State of the United States, has consented to address the Convention, and will give it the benefit of his observations and experiences, and of the information acquired on his recent tour of the South American countries, the object of which was to bring about closer relations between those countries and ourselves."

The convention was held with large attendance and was as successful as numbers and enthusiasm could make it.

In his speech at the Harvard Union, January 14, 1907, Leslie M. Shaw, secretary of the treasury, said:

“We will pretty soon be compelled to develop international merchants. England, Germany and France are great manufacturing countries, and they hunt the world for markets for 25 per cent. of their products. And they take their own ships to hunt them with, too. We manufacture as much as France and Germany and England combined, consume 95 per cent. of it ourselves, and only hunt markets for 5 per cent. If you boys think you are going to live to be as old as I am, and find no more surplus products, you are mistaken. In the last century there were great conflicts for territory. The century in which you are will witness the greatest conflicts in the world for markets. God grant that they may be bloodless, but they will be just as intense as any that have gone before. And just as certain as the world, we are going to need international merchants.

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In South Africa there is a market of \$650,000,000. We furnish 12 per cent. of it. The Orient imports \$1,000,000,000. We furnish 10 per cent. of that. I want 11 per cent. We must get this international trade. South America has scarcely heard of the United States as a great commercial country. She never sees our flag. Our ships never

enter her harbors. We have a few old hulks going eight or nine knots an hour, not belonging to us, carrying freights to this country. And they sail when they get loaded. If we had a ship that went from Boston to ports of South America, and you knew just when it was going to sail you would find the agent of that ship knocking at the doors of your factories for freight to take down there. He would tell you the kind of shoes they wore down there, and you could manufacture them. We ignore that trade entirely now."

Further illustration is found in an organization to develop our foreign commerce, which is the subject of a column letter from Washington, under date of December 10, 1907, in the *Boston Transcript* under the heading: "New Plan to Gain Trade. National Chamber of Commerce Organized." The opening paragraph gives the credit of the organization to Isidor Straus, secretary of the Department of Commerce and Labor, whose name with others follows that of Cornelius N. Bliss as signers of the circular above quoted from. It is said: "It is expected that a permanent headquarters for the so-called advisory committee will be established, probably in Washington, and that this body will enlarge the membership of the National Council of Commerce strictly on business principles." Further, Secretary Straus "intends to dignify the National Council of Commerce by giving very respectful attention to its suggestions." Reports

“are made by experts, dealing with special foreign trade opportunities in certain lines, notably foreign goods.” The secretary is represented as “keenly alive” to the necessity of a foreign market for cottons. He is reported to favor a postal subsidy for South American and Pacific steamers, and it would seem as if the official energies of the department were to be exerted with enthusiasm for the development of our foreign trade. These words are quoted from him: “My purpose is to crystallize and systematize the business ability of the country for the purposes of development and negotiation.”

It is a fair credit to give to the producers of our country that they are beginning, on a large scale, to realize that they cannot impair the foreign market without financial injury to themselves, that if they want to sell to foreigners they must also buy of them, and that it is desirable to cultivate as friendly relations as possible with possible customers across the water, rather than anger them. Shrewd salesmen have realized for many years in our own country the proverb that “molasses catches more flies than vinegar” and have practised it, to their profit and to the promotion of personal good feeling in trade. Gradually our manufacturers are realizing that the same preference for the sweets of life, rather than the sour, is a trait common to foreigners with ourselves. That is the meaning of the widespread prevalence of belief in reciprocity. To

that feeling, in common with the generally broader view of foreign trade relations, is due the growing demand from all parts of the country that the tariff be lowered. High tariff men, with all their prodigious power in politics, have barely prevailed to postpone the tariff reform till after the presidential election of 1908. By general agreement revision must then come.

Now this demand is based upon a realization of the radically changed situation. This change is permanent. This wider outlook has come to stay. We must trade abroad more freely if our manufacturers are to find their most profitable markets and are to do their largest wholesale business. If we are to sell to foreign customers, we must buy from them. We must consent that they make a profit, as well as ourselves, in order that they may buy from us, if we put it on selfish grounds alone. This broader view is one of the consequences of the development of modern inventions of telegraphic communication, of the multiplication of opportunities for cable correspondence, of the improvements of ocean transportation, of the lowering of ocean freights, of the shortening of ocean voyages and of the hundred other improvements which bring the ends of the world together at a reduced expense.

These conditions will not revert, but will increase in their efficiency for profit. They have already forced the high tariff men against their will to admit the reasonableness of tariff reduc-

tion. They are full of persistent energy. They touch the pocket-nerve. This movement will never retreat. It will advance. It will force further concessions from the obstruction party, till the theory itself of obstruction of trade for the profit of the nations between which the obstructions are raised will take its place with the Ptolemaic theory of astronomy, the worship of the rag baby and other once popular but now despised idols.

CHAPTER XVI

SUBSTITUTES FOR TARIFF REVENUE

Very likely the tariff men will challenge any opponent to devise a system of raising money for the support of the government which will be as little obnoxious to the people as the gathering of the money at the custom houses. Steady supply and a taking invisible to the mass of the people are the characteristics of the present method. But the challenge can be met in more ways than one.

In the first place, there is the method which has been always in mind by the school of tariff for revenue as opposed to the school of tariff for protection. England's example is, in the main, the one in mind as the most practical alternative for the present system. Having a large part of the receipts, some more than half, raised by internal revenue, the question is how to raise the remainder and the system of a revenue tariff is always in mind as approved by practice.

But changes can be made from that, if it is believed best to relieve trade from all taxation whatever, and in considering changes it is always to be remembered that the laws of finance have no regard for statute law or for the constitution of the United States. It is admitted, if the admission is wanted, that it is an exceedingly diffi-

cult task to amend the Constitution of the United States. If the best system of collecting money for the support of the government requires a constitutional amendment, such obstacles would be great practically, but the greatness would not be the slightest argument against the validity and justice of the best system. If the decision of the United States supreme court is always to stand that an income tax is unconstitutional, then the national government can levy no such tax without an amendment to the constitution. But the need of the amendment, as a preliminary step, would have no bearing upon the status of the income tax as a proposition of scientific and equitable taxation.

It is a fair proposition that the taxation system of the United States will be changed sometime. People are learning better their relations as citizens of the states and of the nation. Antagonisms where none are inherent or necessary will disappear. A man is not a Baptist as a citizen of the United States and a Methodist as a citizen of New York. Tax propositions which are untenable now may yet be accepted. When the right relation between the states and the national government is a matter of habit and when practice shall have made methods satisfactory which are now untried, it is quite possible that there will be but one tax bill for the support of the government of the United States, of the state, of the county, and of the city or town, as it comes

once a year to every taxpayer. Questions of sovereignty between state and nation may be waived or shown not to involve controversy and the simplest and justest system of taxation possible may be substituted for that which now characterizes the separate bookkeeping of the states and of the nation.

Since the taxpayers are the same who pay the taxes which support the national and the state governments, they may demand, as a matter of economy and efficiency, having in the meantime, by the necessary adaptations of laws and constitutions, removed all legal and constitutional obstacles, that there be only one agency of collection and that the money collected shall be distributed equitably between the nation, the state, the county and the municipality.

If it be objected that cutting off the regular inflow from the custom houses would leave the government with an empty treasury at certain portions of the year, the answer is twofold. There would be a material quantity from internal revenue, so that only a part of the expense would need to be met by other sources. Upon the introduction of the new system, collection might be made in advance, so that the treasury would always be in funds, or there might be followed such a practice as the states can and do resort to, namely, borrow money in anticipation of revenue. At the very worst, the national government would be in no more embarrassing situation than the

state governments which have no steady tariff receipts to rely upon, and a situation which can be successfully financed by every state every year surely can be financed with equal ease by the national government. So the objection is not one which cannot be removed.

It is quite possible, when a better tax system shall have been established for the nation, with closer relations with the states, that adjustments will be found relieving certain conditions. In view of the changing field of business of corporations, especially of transportation corporations, it is possible that a sense of justice would dictate that a material corporation tax, instead of being retained in a state treasury, should be taken, in whole or in part, by the national treasury. Although states may be loth to surrender their income taxes, yet the fact that many fortunes are now made by operations covering several states and under the protection of national law, as well of state law, with the expense of protection which falls upon the national government, may persuade the people of the justice of paying a part or the whole of the income taxes into the national treasury.

States are finding that inheritance taxes are prolific, as well as just. Reasons similar to those pertinent in case of the income tax apply why a part of this tax should go into the national treasury.

On the other hand, there are possible just de-

ductions to be made from the expenses of the national government. It is quite possible that a fair-minded weighing of the benefits from the improvements of the rivers and harbors would result in the decision that a part of the cost should be apportioned to the localities most benefited, in addition to their present portion as members in general of the Union. It is also quite possible that a fair-minded weighing of the benefits from the extensive irrigation and reclamation policies in the broad West would result in the decision that a part of that cost, also, should be apportioned to the localities most benefited, in addition to their present portion as members in general of the Union. It is true that our theory of national unity is given as justification of the present policies. But there is no sharp dividing line to mark the theoretical or the practical separation of state and national jurisdiction. States, with state money, improve their rivers and harbors. Massachusetts, from her state treasury, poured out millions to destroy the gypsy and brown-tail moths, but the national government finally shared the work, leaving the state to carry the heavier part of the burden. Surely the nation has not reached perfection in the collection of taxes, nor yet come to its full realization of the co-operation possible between state and national governments. It is always to be remembered that there is a unity of states and nation, and that the public officials are servants

of the people. Organs of the body politic are the means of self-service by the people and, since the people of states and nation are identical, it is their right and privilege to make their respective systems of service fit into each other with the utmost practicable economy and efficiency. It is a reasonable expectation that as now in the state there is a single yearly tax bill having printed on it the precise sum which is taken per \$1,000 for state expenses, for the county and for the city or town, so there will be, in due time, a single yearly tax bill, with a printed statement upon it to inform the taxpayer precisely how much of his payment per \$1,000 is taken for the national government, how much for the state, how much for the county and how much for the city or town. One collection will suffice for all, and the officials, who serve the same persons, whether in their capacity as citizens of nation, or state, or county or municipality, can make the distribution according to the form determined by law, for the economy and efficiency of the service, without embarrassment to either of the four forms of government concerned.

CHAPTER XVII

SEEN AND UNSEEN TAXES

Assuming that the internal revenues raised by the present system, plus an income tax, an inheritance tax, a corporation tax, and other taxes which may be regarded by the people as justly due, in whole or in part, to the national government, are not enough to meet the national expenses, then the question must be faced how the necessary amount should be raised. Some legislators, in providing means of revenues, have as their pole-star the complete removal of all direct taxes. By as much as the visible taxes are reduced, by so much do they seem to think that the burdens of the people are made lighter.

Two distinct theories seem to be operative in levying taxes. One seems to regard the government as if it were a power higher than the people, not responsible to them, yet liable to be overthrown by them, and depending for the continuance of its life upon its success in lulling the people to confidence in its supreme wisdom and honesty. Hence, when it comes to the people to get the money for its expenses, it must conceal, as largely as possible, the amounts it takes, and it must not let them see the act of taking. They are to be drugged by the highwayman, as it were, before they are robbed. The other theory is that

government is the organic form of action by the people themselves, for themselves, that they have a right to know every detail of government finances and that they ought to be conscious of the taking of every dollar. Between these types of taxation there will be found compromises in operation, but these types represent the totally different points of view which are found among legislators.

It is the latter view alone which can be justified to themselves by a self-governing people with a healthful sense of self-respect. They are not subjects of a despotism. They are not the tools, or should not be, of a partisan administration whose purpose is to humbug the people into believing that they are not paying much for the support of the government when it is really costing them far more than they would approve if they felt the burden of the expenditure directly upon them. Let it be assumed that, for reasons of justice in putting taxes where there is the most financial ability to pay them (which is the justification of an income tax), or where they tend to equalize the injustice of a lifelong escape of just taxes by tax-dodgers (which is one justification of an inheritance tax), and for reasons of national activity (which is a justification of a national corporation tax), these taxes are added to the system of internal revenue, then it is both sound finance and expedient taxation policy to raise the remainder of the revenue by

levying direct taxes. Let the taxpayers feel the weight of the burden they have to bear. Then they will take more interest in the administration and will scan its policy more closely. The administration will realize its responsibility constantly and be more careful in its outlays. Direct taxes would tend to more economy and better efficiency in every clerk's office at Washington and in every government office all through the country. If there were a system of joint collection of revenue by the national and state governments, so that one tax bill came to every taxpayer, having printed on it the proportion of the annual dues which went respectively to the nation, to the state, to the county and to the municipality, then every payer would realize his share of the burden of the support of the national government. He would demand to know where his money went and whether a smaller amount would not be equally effective. Wasteful appropriations and logrolling schemes would stand less chance of passing through Congress and there would be such challenges as we now see in state and municipal finance, but which are much less frequent and imperative upon the floor of either branch of Congress.

Such a system would bring home to the taxpayers the financial operations of the government far more than the extra price which is paid for clothing, sugar, building material and the thousand other necessities which are covered by

the Dingley tariff. Such a direct payment would be more manly and straightforward, more worthy the methods of a self-governing and intelligent people than smothering the taxes under prices artificially raised, so that the payer has no perception of the proportion which goes to the government when he pays it. If indirect taxes meant no taxes, then the policy of indirect taxation would be justified. If the payment were necessarily a painful operation, like having one's leg cut off, then the administration of an anesthetic would be justifiable. But the intelligent citizen, honest and patriotic, stands ready to pay cheerfully his entire share of taxes. He does not wish to take ether, nor be blindfolded. He is perfectly ready to face the real situation as far as he is concerned on his side of the transaction, while, for the administration's side, he desires that the taking shall be open and that the spending shall be economical. Money which comes easily goes easily and unseen taxes are more likely to be voted loosely by an irresponsible Congress than those whose burden is felt when the money is taken, for money which comes hard goes hard also.

Therefore, if the obstructionists object to the removal of the obstructions of trade because it would also require changes in the raising of revenue and because the people prefer to have their taxes unseen, the answer is that seen taxes are bet-

ter for the people than unseen and that intelligent and patriotic taxpayers will prefer to know when they pay and how much the government is taking.

CHAPTER XVIII

THE WORLD'S RIGHT TO LOW PRICED GOODS

In the discussion of the trade relations of the different parts of the world — a subject which includes both politics and economics — such progress has been made in the perception of truth, or such new recognition of old truth, that a new condition exists. Former arguments fail to cover the ground because they are, at best, only partially based upon conditions embracing the entire world. World unity is a fundamental fact in this tariff discussion. Freedom of will, individual, independent existence, separate from other wills for every human person, with each equal to every other, is another fundamental truth. Some people hold the doctrine that the truths of world unity and human brotherhood lead to the conclusion that the world owes every person a living. It may be conceded, with the added condition, “if he pays for it.” But, without condition, it is just to affirm, and our political principles do affirm that equal opportunity with every other person should be given to each person to make the best use of his powers. Given equal opportunity and freedom to improve it, then the result depends upon the person. The state, as the organic body of mankind, has its

duty in maintaining these conditions. It is not necessary here to consider the inequalities of natural endowment and opportunity.

A new element in modern tariff discussion, far out of proportion to the prominence formerly given to it, is the unity and supremacy of the political body. Modern use of the theory of eminent domain, the many public enterprises which are already managed by servants of the people for the people as a whole, the growing discussion of the rightful and profitable limits of service to the people by employees of the people illustrate how the thought of the generation differs from that of the generation previous.

Eminent domain rests upon the right of the people, as a whole, supreme over any individual right. But the unity of mankind is a truth as potent as the truth of the unity of the people of a state of the United States, or the unity of the people of the United States as a whole. If the people of a state as a unit, have eminent domain over the territory of their state, much more do the people of all the earth, as a unit, have eminent domain over all the territory of the earth. Whether or not that doctrine has yet made its way upward into the light of recognized status in international law is not to the point. Affirmation is here confidently made that it is a truth, and it may be left to find its way into international law, or into the coming higher world law, at the pleasure of the human instruments

whose profit lies in obeying the laws above them. It asks no favors from any politician or statesman. It is in no hurry. It has waited for ages. A few years longer signify much less to it than to the men it is waiting to benefit.

It is the fact of existence as a human person which gives that person the right to equal opportunity with every other person on the earth. Earth's wealth is for the people of the earth in their collective capacity. No portion of the inhabitants of the earth has any right, under the very laws of their being, to shut off a portion of the earth and say that other people shall not enter. It is true that this is not accepted doctrine now. But the truth of the unity of mankind carries with it some weighty corollaries, of which this is one, which exist regardless of their acceptance or rejection by the people of the earth. This truth does not imply, by any means, that there is no right of property, as a subordinate proposition, any more than the accepted doctrine of eminent domain of the state destroys the doctrine of the rightfulness of private ownership of property. But it does affirm the supremacy of the general welfare over a monopolistic holding by a portion of the whole which prevents or diminishes the general welfare.

If we interpret in their fullness the truths in our Declaration of Independence and in our various Bills of Rights, we find in them a moral element. This element inheres in the very constitu-

tion of mankind as a unit. The tariff therefore becomes a moral question. It is by no means a pure business question, but it concerns the rights of men to their just share in the earth's products; that is, it concerns their opportunity to work for a share in those products. The despotism of a nation in shutting off from their rights a portion of the people of the earth is an infringement upon the rights of those persons. It is an attack upon them in their highest quality, just as the attitude of Great Britain toward the American colonies before they obtained their independence by force was an attack upon their rights. Resistance by force is as justifiable in the modern case as in the former one, though the equal remissness of all the nations in holding the opposite doctrine has prevented the acceptance of the true doctrine. But if the American colonies had the moral right to rebel against the Mother Country because it violated their moral rights, then the superior might of the world, basing its claim upon the moral rights of the people of the world, has the right to break down by force any barrier set up by any nation which prevents the people of the earth from having their equality of opportunity in sharing the good things of the earth. Whether force is the best method is an entirely different question. It involves many other phases of morals. But there can be no doubt that there is a moral wrong on the part of the portion of the people of the earth who deny their share in

being a part of the human race, who stand outside of it and assert that they are free from the obligations which the very fact of their existence implies.

If this truth is held up for inspection a little longer, it will be seen that it will bear the full flood of sunlight. The missionary enterprises of the higher nations toward those less advanced are not regarded by those most developed in these matters as pure benevolences, but it is held that the higher have a duty to the lower, that the lower have rightful claims upon the higher for help from their hand, that the nations which have the Bible owe to those which do not have it the duty of carrying it to them, even though the lower, before the missions begin, have no knowledge of their lack and would never press the claim of duty. It is the unity of all in the human race which carries with it the obligation.

But the obligation in the unity of humanity does not cease its claims with the delivery of the gospel message alone. It pertains to other things in which the human race has a common interest and right as fully, though not with the eternal consequences, as it does to missionary activities. Equal opportunity, being a right inherent in the existence of equal free wills of the human race, and the human race being one, in all parts of the earth, then the equality of opportunity of effort, as a moral right, extends to all parts of the earth. That is, the government of

the earth — the governments by nations, which now prevails, and the government by the organized world body politic, which is already in sight — owes it to every individual on the face of the earth, not under restraint for crime and of accountable years and capacity, that he be free to seek his equality of opportunity upon whatever part of the earth he pleases. Individual energy in finding the best place is a better guide to the most profitable employment of personal faculties and opportunities than legislation by strangers to individuals for the regulation of the mass of people.

Again, since the human race is one and the wealth of the earth is the property of the masters of the earth, in their collective capacity, to be used as a trust in the service of Him who made both the persons and the wealth, then there is a moral right inhering in the aggregate of mankind, against which there can be no moral right inhering in any local part, that the wealth of the earth be used for the service of all parts of the human race. All parts, as a unity, being the proprietor, all parts, as a unity, must have equal right to the benefit from the wealth. Therefore the government of the world should make it certain that there is no monopoly of the surplus wealth of any part by the people of that part (or by a people who can seize that part by force), whereby mankind, as a whole, is excluded from equal enjoyment of the wealth of that part.

That is, in other words, the products of zones, countries and districts which are favored in an especial manner by nature for the production and distribution of a particular crop, fruit or other form of wealth, have no moral right to shut off the entire world from obtaining for each part its due proportion, by giving an equivalent in trade, after overcoming the natural obstacles in the way of production and distribution.

Great increase in the wealth of the world would follow the recognition by the people of the earth of this truth which ought to be operative for the benefit of them all. Under the influence of this truth, enterprise would seek, in every case, the investment of money and of labor where there would follow the largest returns for the least outlay. This is good business, and it is plain common sense, upon which every reasonable person acts in all his activities involving the production of goods for human needs. This means that the prices of the necessities of life particularly, and of the luxuries also, would be at the lowest possible point. The human race would get the most possible for the least possible effort and thus, with the establishment of world justice, world wealth would increase faster than by any other possible means. Distribution, with justice between producer and consumer, would be as perfect as human ability could devise. Therefore the lot of the poor and of the persons of less ability would improve faster than under any

other system of production and distribution.

Low prices, as a measure of the effort for production of goods, mean, under normal conditions, that there is large return for the output of capital and labor. Otherwise, in the inevitable conditions of the case, prices would be high. Permanent low prices, therefore, mean a high profit in production. It is the most desirable condition possible for human workers and investors. It means abundant wealth, compared with other systems. It means comparative ease in getting a living. It means more time for leisure, for the promotion of the arts and sciences, more education for children who otherwise would be compelled to work, more money for travel and for better homes. It means permanently better health for the body, since the irksomeness and wear of labor would be reduced the most possible. It means more lightsomeness and good cheer of mind, since there would be less anxiety and planning in desperation to keep the wolf from the door. It means the development of a higher public spirit, the promotion of public adornment and a more rapid advance of the entire earth in all that makes for the welfare of body, mind and soul.

These are consequences which go with recognition of the unity of mankind as a single political body. No one who has seen the rapid advance of the race toward this result within the last half century can doubt that the goal will be

reached far sooner than its critics admit. The world's right to low-priced goods is one of the important results which will surely be recognized in the good days hereafter when tariffs shall cease to divide the nations and to promote suspicions and quarrels between them.

CHAPTER XIX

THE WORLD'S RIGHT TO GOOD WAGES AND PROFITS

If the proposition that the world has a right to goods with low labor cost be turned with the other side to the front, it will appear in this form: that the world has a right to good wages and profits. This truth is not sufficiently familiar to prevent repeating it in connection with the proposition that mankind is a unit and that world sovereignty is universal. It is important to a clear understanding of the truth that both sides of the proposition should be clearly set forth, for many people have the idea that low priced goods are an indication of hard times, while the fact of good profits is regarded by those who see them, but do not enjoy them, as a demonstration of the preying of an oppressive monopoly upon the welfare of the people.

But a little thinking will show that low priced goods, in the normal condition of industry, are sold at low figures because it is easy to get them. It is the fact of low priced goods which makes it possible to get good wages and profits, and only upon such conditions, in a normal condition of trade, can such favorable results be obtained.

When a fishing schooner returns with a big catch of fish, then the price of fish is low. But

the reward of the voyage was great. What the schooner went to get was as much of food supply as possible. The food is the reward, and the reward was large. It is the fact of the largeness which made the price low. The entire community is benefited. Of course, when there is overproduction, the owners and the fishermen lose while the public gain. But in usual industrial ventures, where there is no overproduction, but the market can take the supply without a collapse of price, lower prices go with abundance of goods. The goods are the real wages. Large returns for the investment follow the production of goods which are low priced.

When the discovery of gold brought enormous quantities into the market, the world got the benefit, though the price of gold went down. But, since gold was the standard of currency, it seemed as if all other prices went up. Really gold declined. People could get it more easily. All its benefits were secured at less cost. The world was greatly richer by the production of gold so cheaply that its price fell.

When there is a great wheat harvest, when the price falls, then the public gets large benefit. Then the poor people who would otherwise be compelled to live with insufficient nourishment can eat till they are not hungry. Then there is that general improvement of health among the lower classes which goes with sufficient nutrition. The power to produce goods is increased. The

resistance to the attacks of disease is strengthened. Many, doubtless, are the lives which are saved and many are the homes which are spared the mourning for the absence which makes the chair empty and the plate untouched, solely because there is a cheaper supply of food. The wheat is the wage of the worker and in its low price comes the largeness of the reward. It is true that great disturbances may occur because of overproduction, but that introduces new considerations which do not disprove the main proposition.

On the unity of mankind and the right of all mankind to the products of all the earth, under that attribute of world sovereignty which may well be called eminent domain, depends the proposition of the right to that unrestricted openness of all parts of the world to all other parts which will enable each part to supply its needs with the least expense possible under all earthly conditions taken together. If any person, therefore, is denied his right to a share in the benefits of all parts of the earth, then there is injustice and oppression at that particular point. If this denial is caused by the action of his government, then his government is committing a wrong against him which it is his right and his duty to resist. Resistance may take the form of agitation, remonstrance, effort to educate the government to change its policy, or to securing unity of action by the people to resist the government

as effectively as possible. It is not said here that the right goes to the point of revolution by bloodshed, for that introduces the question of other rights — the balance of rights to property against the right to life on the part of people who would be destroyed if there were armed collision. But there is no doubt of the existence of injustice and of the right to agitate against it in a case where a person is deprived of a right which inheres in his existence as a human being.

It is singular what inconsistency those can be convicted of who deny the right to low priced goods, to good wages and to substantial profits. They put obstructions in the way of trade in order to make themselves richer. Now, it would seem to be common sense, from that point of view, admitting the premises that the country can produce some articles with more profit than it can produce others — for instance, that it is better adapted to produce corn than tea — to retain in the country that which it can produce most profitably and therefore increase its wealth most rapidly. If the most wealth is to be made by production of this particular kind, then produce it in the utmost profusion and keep the product all at home and thus roll in wealth. If we can produce beef cheaper than England, then forbid the exportation of any beef, under severe penalties. At least, put an export duty on it. Make beef so cheap that all of us can have sirloins and tenderloins, and so that the poor shall not be

compelled, in their poverty, to take up with shin-bones, neck pieces and livers. Why should not the poor know the taste of a good juicy piece of steak as well as the rich? Is not he an unpatriotic and cruel man who would send the best parts of the beef creature to rich foreigners, after our rich people have had their supply, leaving nothing but the least desirable parts for the wretched ones of our own land? Is that love of Americans for Americans? Why not forbid the export of wheat, keep the crop at home, put down the price and feed up our starving widows and orphans and give them the first chance? If we can make wealth fastest by producing what is most cheaply produced, why will not the nation gain most rapidly in wealth by prohibiting the export of the most easily produced wealth?

But the very fact that those who believe that wealth is to be increased by the obstruction of trade never propose to prohibit exports or to levy an export duty shows that, when it comes to the real proposition itself, in a plain and undisguised form, they know that obstruction is not the best way to promote wealth. Instinctively the obstructionists, like all other people, realize that no burden should be put upon our export trade. They realize that the quickest way to increase wealth is to trade with what we can produce most advantageously and, making legitimate use of our natural advantage, get in return for our needs which we cannot supply as cheaply, sup-

plies from those parts of the world which can produce them more cheaply than we can. We can sell our most profitable produce more cheaply than other people can produce it. Others can supply us more cheaply with other things than we can supply ourselves. We trade. Each side makes money by the transaction, as both sides always make it in any legitimate trade. The world is richer, because it has supplied its wants with the least possible outlay. Each part has enjoyed its right to the products of all other parts without restriction.

Suppose that the bottom truth in this matter be denied. Suppose that the unity of the human race be admitted to be a myth. Suppose that the absolute sovereignty of every nation by itself, for all time, be conceded. But if the force which makes mankind one be denied existence in the case of the entire human race, then it must be equally denied in the case of the nation. If the bonds of humanity have no avail, surely there is not as much binding force in complexion, language, religion, place of residence or association in political matters. Each one of these centralizing forces is less compelling than the unity of essential nature which underlies all mankind.

But if the nation has no unifying force adequate to subordinate the interests of each part to the good of the whole, then the nation, as a political unity, falls asunder into atoms. Its right of eminent domain is gone. It has no

power to tax, no power to compel military service, no right or power of self-defense, no possible way of securing its own existence. It would fall to pieces within twenty-four hours on such a hypothesis. The individual would be supreme, owing no duties to others, having no superior in property rights, able to hold his parcel of land on the line of a proposed railroad so that construction of through lines would be impossible, competent to block and destroy concert of action at every point. Such a condition would be sure to throw the entire world into hopeless confusion and destructive collision and make a mockery of every effort at organic existence. Such is the inevitable and legitimate consequence of denying the unity of the human race.

It is true that the nations are not yet up to the point of recognizing the truth that there is a higher sovereignty than national sovereignty. But they are rapidly advancing toward such recognition. Successive international conferences at The Hague are developing the self-consciousness of the world and are hastening the time when the political unity of the world will be a familiar idea to all nations and when the practical exercise of world sovereignty will remove all doubts as to either its existence, or the practicability of its exercise, or its necessity to the highest welfare of humanity as a whole. The fact that the world has not advanced as high as it is destined to advance is no proof that it will not accomplish its destiny.

This rising self-consciousness is new, but it is resistless and as it increases its force will spread in geometrical ratio. The world has entered a new era. Inevitably, therefore, there is a new era of tariff discussion. The proposition of the political unity of the world will shatter the exclusiveness which is essential to the obstruction doctrine, and, again, in a new light, we see the truth that the mistaken doctrine is fast approaching to the limit of its earthly existence. It cannot live in the sunlight of the truth that all men are born free and equal and "are endowed by their Creator with certain unalienable rights, that among these are life, liberty and the pursuit of happiness." The long-lived tuberculosis germ, which has thrived in the shades of ignorance and in the selfish exploitation of the many by the few, will die in the sunlight of the unity and equality of all men. That day is not distant, and every vessel which carries a cargo across the ocean and every submarine cable laid under the Atlantic or the Pacific brings the day nearer when the death of the present mistaken system will be definitely declared. Equality of opportunity for each unit of the human race as a unity carries with it the right to enjoy that opportunity in any part of the earth taken as a unit, and the right to share without discrimination in the benefits of unobstructed trade between all parts of the earth taken as a unit.

CHAPTER XX

WORLD UNITY AND WORLD TRADE

By the action of the second Hague Conference in recommending that the Conference be made a permanent institution a formal step was taken toward the organization of the world into a single political body. Plenty of facts have become historical, pointing unequivocally to that consummation. New and powerful forms of old forces have come into action within a few years, comparatively, which are tending to the formal political union of all the nations. World sovereignty is rising to view as a power supreme over national sovereignty, supplementary to it, and not in contradiction to it. This supremacy will be fraternal and harmonizing, welcomed by all, as soon as its true nature and functions are perceived, especially by those who conduct the political conduct of the nations. Strong influences are enlisted in the movement and it promises to become a fertile subject of popular thought in the near future.

World unity promises to cause radical changes in the trade relations between the fragments of the human race which are now arrayed under the hostile and superficial classification of nationality. Here it is proposed to consider some of the

forces in active operation, soon to be exercised in greater intensity, to affect the currents of trade, and to forecast what seem to be reasonable and inevitable consequences from their activity.

Let it be emphasized here in whatever is said about the tariff, that no attack is made at this point upon the doctrine of protection. That subject is given separate treatment elsewhere to meet its own nature. The tariff and protection ought never to be confounded in the minds of disputants over our chronic national sore. Here the attack is solely upon the obstruction to world-wide, honorable and profit-making trade by a policy which may, with more excuse and plausibility, find some other avenue whereby to attain its object. Instead of protecting domestic industries by deliberately obstructing trade to such a degree as to vitiate materially the natural conditions and to destroy natural advantages of production, the end of protection might be secured by an exemption from taxation, or by a bonus from the public treasury to be measured by a direct percentage upon the bona fide capital invested — say one, two or three — or by a percentage based upon the market price of the product, or by a percentage of the value of the gross sales of goods, or by a percentage of the value of the competing goods brought in through the custom house, or by any other way easy of computation and judged to be equitable between the public and the beneficiaries.

Now, in regard to the political organization of the world, and its apparently reasonable and inevitable consequences upon trade between the merchants and manufacturers of the nations, permit first brief mention of the resistless tendency to world unity which promises to have marked results speedily.

If the world is to be an active political unity — as is here affirmed — it must have organs for action. That is, it must have legislative, executive and judicial branches of government. The burden of proof is cheerfully assumed. In the first place, regarding the world legislative branch, the demonstration is easy that world legislation has already been accomplished repeatedly by official action of the nations. It has not been in the precise form familiar to the mind in thinking of legislative action. But the variation from the standard method has not affected the quality of the result, and it ought not to obscure the full contemplation of the vital nature of the acts. This variation merely marks a stage in the political organization of the nations under the supremacy of world sovereignty. It could not have been reasonably avoided in the transition from national separateness to world unity. It was inevitable on account of the lack of acquaintance, of the distrust and the unorganized status of the nations. It will disappear when the full organic unity of the nations shall have been attained. Legislation is the expression of the will

of the power which puts in formal wording the determination of its mind regarding future action upon particular matters. World legislation occurred, in the full and perfect sense of the word, when the Universal Postal Union was established by the will of all the Powers in the world which were sufficiently organized to have a government as a means of expressing their will, when they agreed to the Berne proposition in 1874. Again, full and perfect world legislation occurred when all the nations gave their will to the establishment, by initiation of the Hague Conference of 1899, of the Hague Court of Arbitration. Ratified recommendations of the Hague Conference of 1907 are formal and official acts of genuine world legislation. It is true that the international delegate body which formally originated the propositions did not have legislative power. It is true that all of the acts referred to were not operative till the nations severally, up to an agreed number, had ratified them. But the variation from the commonly accepted methods of legislation does not in the slightest degree invalidate the true world legislative quality of the acts. In over a score of other cases of less perfection of illustration, but of similarity in quality, world legislation has occurred. The world legislature is thus preceptibly on its way to realization, and the fact that the Hague Conference has been the originator of propositions resulting in world legislation and is the most re-

cent illustration of delegates from all nations acting together to originate world legislation, makes it timely to work in order that the Hague Conference may become a permanent institution, with the bright prospect that, out of it, in due time, will be developed the perfect form of the legislative body for the political unit of all mankind.

As to the world executive department, it has already begun to grow. Several separate germs have come into existence, almost simultaneously. Though they are of a low order of rank and power, yet they have true executive quality, and it is reasonable to forecast that they will be succeeded by others of higher grade until a complex executive organization is reached under one co-ordinating head.

Regarding the world court, while it has not yet been established and there is no formal code of world law to be passed upon, yet propositions have been made for a codification of international law. It is evident that the exigencies of the situation and the growing practice of joint action by the nations will result in the formal ratification by the nations of certain propositions which already have standing as international law. By this ratification, that part of international law will step up to the higher status of world law. This code of world law will be developed and will be added to as necessity demands, and the formal establishment of a world court cannot be long de-

layed. The Hague recommendation of 1907 to establish an international prize court proposes a true judicial body, which may be the germ of the world judiciary. With these organs established, there will be realized the complete organization of the world into one political body under the true world constitution—a constitution which must, in the nature of the case, remain unwritten.

It is affirmed here with full assurance, that this world unity will be formally realized from the forces already in operation, whose results are beginning to take definite form, whether or not the detailed steps have been set forth correctly, and that the new order of things has so far advanced that the old tariff era has ended and that a new era has begun which will have revolutionary effects upon present tariff theories and practices. This prospect justifies this brief review of world organization already accomplished.

To resume, now, the discussion of the tariff in the light of the unifying political forces of the world. One of the certain consequences of world unity will be world peace. With a world court for the settlement of differences between nations and citizens of nations, as we have now a system of national courts in the United States to settle the differences between the states and the citizens of the states, there would be no more occasion for war between the nations than there is now for war between our states. A better way to promote the peace of the world than to agi-

tate directly for peace is to work for the political organization of the world. National disarmament is not to be secured most quickly by trying to reach agreements at Hague conferences, but by efforts to establish such relations between the nations as will make all armaments a needless and ridiculous expense, like fortifying one's house against bombshells from Mars, and then the evil will die of its own curse, with nothing said officially about it.

World peace will bring, and even the prospect of it will bring, long before it can be surely written that the last war on earth has occurred, such closer relations between the nations that there will be a great development of commerce all over the world. Signs of joint national action for the promotion of trade are already numerous. Commercial congresses and international conferences have already set forth in some detail the plans which progressive investors have for the establishment of uniform regulations at all the custom houses in the world. If the same requirements were made at every port, of every vessel, no matter under what flag, if the conditions of lading, inspection, storage and departure were the same in every part of the world, it would remove many of the annoyances and delays of trade and would stimulate commerce where now the exasperations of official routine are a serious loss.

Under world unity there would doubtless be established early some uniform practice of expa-

triation, whatever development in the legal status of world citizenship might come later, whereby rights of citizenship in new countries might easily be obtained by venturesome men leaving their former residences, and the effect would be to take the most vigorous stock in the world to new fields, to transplant it with better prospects than ever before of friendly relations and of profitable dealings. So there would be, at a thousand points, enlargement of the home country's foreign markets and a return current of foreign goods as a basis of a new crop of profits as they satisfied new wants at the lowest possible cost.

Extension of trade based upon world peace and better foreign markets would give rise to demands for the removal of obstacles. Already this demand has been felt in the discussion of a world coinage to facilitate the exchange of goods between people of different standards. It has shown itself in the laws for the adoption of the metric system of weights and measures. Repeated efforts to invent an international language, whether Volapuk or Esperanto or other ingenious device, are in part an echo of the same demand, and whether or not thousands of years of national traditions are to be overcome by artificial devices, — which the conservative deny, but which the hopeful affirm, — yet there can be no doubt that the spread of trade will surely reduce the obstacles by the acquired habit of thinking in the terms of other nations, so that trade itself will not find in

these obstructions as serious an obstacle as it finds now. Ability to think in French, German, Russian, Italian, Spanish, Japanese, Chinese, and so on, in francs, marks, kopecks, yen, and every other well known measure of value, extension and weight would go with the outfit of every up-to-date commercial house from New York around the world to San Francisco, and trade would prosper as the barriers of thinking in intelligible foreign terms were broken down.

But it must not be overlooked that modern theories of public service corporations are undergoing rapid change. Conservative countries, like England and Germany give us many illustrations of governmental ownership of railroads and telegraphs. If ever the principle prevails to the general adoption of popular ownership by the people of the several nations,—to say nothing of world ownership under the doctrine of world sovereignty,—it may be accepted as absolutely certain that the rates for passengers and freights will be so low that only the cost of conducting the business, without dividends or profits, will be covered. Such a status would lead to a vast increase of travel and transportation. Without such popular ownership or management, it is a fair prediction that a great increase will be seen by reduction of rates with the purpose of giving the utmost stimulation possible to the fascinating and contagious practice of travel and sight-seeing.

With the establishment of universal peace will come the liberation of millions of men from the destruction of property to its creation. Nothing short of a revolution in the economic condition of the world will be the consequence. Wealth will be inconceivably increased and its distribution under the changed conditions will affect all classes. With the energies of the best minds left free for attention to industrial, social and commercial evils, instead of being absorbed by the leechlike demands of imperative militarism, the distribution of the wealth produced by the world will be made with nearer approximation to justice to the abilities and relative contributions of the producers than at present. Less industrial despotism and more positive justice will increase the purchasing power of many millions of people who are now helpless to secure their rights, and there will be such an extension of trade as the world now sees only in imagination. All this enlargement of trade and travel will bring the peoples of the world into better acquaintance with each other.

But acquaintance will mean friendship. *Hostis*, "stranger," means also enemy, and removal of strangerhood will remove the basis of much hostility. Friendly relations all over the world, promoted by trade and travel, will react upon the very causes which promoted them to strengthen them. Trade will still further increase and the inevitable efforts to remove all causes which re-

strict it will be redoubled. It is certain that the cost of transportation, the construction of the shortest and most economical routes of travel, the least expensive steamer service, the fewest handlings of goods, the acme of engineering skill, the least risks from fire, flood and delay, and every item which enters into the cost of carrying goods around the world will be the subject of the most scientific study the world of commerce can command. It is impossible, in the light of this general demand for the least possible obstruction to the transportation of goods, that any artificial obstruction should escape the most peremptory challenge. Again, therefore, it is certain that the tariff would be compelled to face the most modern and most searching requirements.

In these various directions mentioned, there will be operative mighty forces for the complete removal of all obstruction to trade. That the tariff is an obstruction is conceded on every hand. Its very design is to obstruct. That is why its friends have established it in every country where it prevails,—in order that home markets might be benefited by the exclusion of foreign goods kept out by the presence of this artificial obstacle. Its opponents make it their vital point against it, that it is an obstacle, and that it causes the destruction of incalculable millions of potential wealth. That it is a wholly artificial obstruction is beyond question. A new and general and vigorous protest against the tariff must be faced by

its friends, unless they can meanwhile persuade the world that protection cannot be as well secured without this destruction of wealth which would exist were it not for the tariff, that no other form of protection, of the several which can be suggested, will so largely contribute to the welfare of the nations, and that the benefits of protection (which tends to restrict trade and travel and commercial and social intercourse generally) more than offset the evils other than financial which it certainly causes.

It must be remembered, in this world outlook over the situation, that the advent of world peace will greatly promote the friendliness of the people of the different nations. But a material element of the protective policy today is the mutual jealousy and distrust of the nations. Today a calamity to the producers of Europe is welcomed in the United States as if it were a benefit to the latter country, as if the purchasing power of possible customers could be seriously crippled with corresponding profit to the producers who would otherwise sell to them, but must now see their market closed. In place of this mole-eyed view of national calamity, in place of this jealousy of the prosperity of commercial rivals, in place of the view that foreign producers are enemies, will come the true view that all who contribute to the wealth of the world are benefactors of the world and that the welfare of the world will be promoted by prosperity at every point.

A side observation is pertinent here to the effect that the supporters of the tariff in the face of its tendency to restrict trade and travel and the social intercourse of the world, which it is its avowed purpose to do, must be ready to identify themselves publicly with the non-progressive and repressive forces which tend to keep nations separate from each other, which would promote international jealousies and hostilities and which see in progress and world-wide friendship only the powers which make for their own destruction. Doubtless many tariff men will protest that they are not of that type of citizens, but the challenge is made to them confidently, considering all that is involved in the divisive effect of the tariff, to prove that they are not. It cannot but help to clear up the issue and to influence the allegiance of voters to have this point brought into the light where men must pass upon it with their own judgment and let the world know upon which side they are to be counted.

With world organization an accomplished fact, with wars ended by universal peace, with production vastly increased by the shifting of armies from destruction to construction, with national jealousies removed and confidence substituted, with a juster distribution of wealth to the great increase of the purchasing power of the masses of the people, with a great addition to the markets of the world by mutual concessions in removing tariff obstacles, with the desire for travel

increased by what it feeds upon, with obstructions of race and language reduced, with differences in coinage, weights and measures diminished to the smallest possible amount, with other changes in the relations of the nations to each other officially and of their peoples unofficially which may be imagined in further detail, it is evident that a stronger challenge than ever will be made to a purely artificial obstruction of trade — if there is anything whatever left of it by the time the era of full world organization arrives. In its very nature the tariff is so flatly opposed to each and all of the forces which make for the unity and progress of the world that it is impossible to see how any tariff champion can reconcile his principles with the world conditions which this progress will surely bring. Inherent antagonism exists between the two sides in the contest. Neither can tolerate the other, for neither can have its full development in the presence of the other, and the stronger must destroy the other.

Looking at the progress of the nations in the direction of world unity within the last few years and realizing that this has not been made intelligently with world unity as the end in view, but only blindly in obedience to the world forces which are pushing the nations onward unconsciously to the great consumation, it is impossible to withhold the conclusion that these world forces, driving the nations forward, step by step, from one

manifest gain to another, will surely bring about the utter destruction of all artificial obstacles in the way of trade. Natural obstacles must remain in modified form. But the annihilation of time and space will be as nearly perfect as the improved invention of man can devise, and every improvement, cheapening the cost of exchanging goods, will be a real increase of the wealth of the world. Trade will thus gradually free itself from artificial obstructions, and when they shall have been removed so that natural ones only shall remain, then we shall be justified in saying that the day of absolute free trade has arrived. Indications are that the nations have already entered upon the new era which will end only with this wealth-creating consummation.

CHAPTER XXI

WORLD TRADE AND WORLD PEACE

Up to date morals has not been included as a part of economics. But the broad principle that all truths are parts of one comprehensive truth brings both into one field, and there is a much closer unity than that. Although it is a current complaint among church members that the church does not reach the mass of the people, yet there is no parallel assertion that the Nazarine is any less highly respected and worshiped in the hearts of men, or that his principles have lost their grip in human affairs, or that the majority of mankind is descending to a lower depth of moral degradation. Such assertion would belie the common conviction of the civilized nations today. It would deny the existence of the great philanthropic movements and institutions of the century which are essentially the fruit of Christianity and of nothing else. It would ignore the new and resistless formal effort for the establishment of world peace. It would be blind to the convincing and onswEEPing current of events which make for the organized political unity of all the nations under recognized world sovereignty.

But, in spite of the failure of many who live Christian lives to identify themselves with the

Christian church, in spite of the immoral lapses of individuals, in contrast with the moral advance of the majority of the inhabitants of the earth, there is certainly less of a predatory disposition in the relations of buyer and seller, a more frequent recognition of the truth that in every legitimate commercial transaction both parties ought to make a profit, and a more widespread willingness to live and to let live than ever before. If we take the testimony of merchants and manufacturers who have been many years in business, we must admit that business ethics are higher today than ever, notwithstanding present lamentable offenses, both individual and corporate, and though only a few years ago plausible reasons could be given for saying that morality in general was lax and losing its power. Morals is today such a vital element of business that a revolution for the worse would occur if the present reliance upon the unsupported personal word of mouth of business men from the manufacturer and merchant down to the keeper of the corner grocery were destroyed. Business rests upon truthfulness and friendship between the parties more than ever, and the more each side has implicit confidence in the character of the other and the more each side realizes that the other side is desirous of promoting the other's interests, as well as its own, the more business will be done, the more profits will be made, the more rapid and more abundant will be the increase of

the world's wealth and the more will each private individual gain by the general prosperity of the whole.

Slowly has the world come to this moral condition, but it has come at last. If civilization and Christianity mean anything, the world will not relapse to its lower level. We are not only safe in calculating upon this condition as permanent, but we are false to the fact if we ignore it. Our forecast of future trade relations will be essentially in error if we omit this vitally important force.

While trade necessarily depends upon profit for its existence, yet it will henceforth recognize more than ever—and we do not gush in mere philanthropy over the fact, but calmly reckon it as an assent of our cause—the truth that justice and friendliness must be observed, and that they are a vital element of international trade and communication. Again we see that a new era is truly here, and that the year 1900 A.D., is as truly past, if not in as distant a past, as 1800 and 1700 and all the numberless hundreds before them. The standards of 1900 are as truly out of date as those of the previous centuries, and its motives and its morality are equally things of the past. With all shiploads of manufactures of the United States which go to the thousand ports of other countries will go also the recognition of the owners that the largest profits will be made by just treatment of every foreigner who buys the

goods, and by the cultivation of friendly relations with him and with his people.

This will be done from commercial motives, if from no other, but it is true that the higher motive has been developed and that it has come to stay. Traders who do business on the lower levels of morals will find it for their interest to rise to the higher levels. The world will demand recognition of the better standard of practice. Offenders will pay the penalty by the loss of trade. Fair dealing will promote further fair dealing. Courtesy will stimulate further courtesy. Victimizing foreign customers will so react that the victimizers will be their own heaviest-losing victims. Profits will depend not only upon honesty embodied in the goods, but also upon the friendly feeling and courteous manner with which trade is conducted. This is only saying that what has come to be true in our own country today in regard to trade will also come to be true in foreign trade because it is based upon traits of human nature as universal and as sensitive in Europe, Asia and Africa as they are in Boston, New York and Chicago. Any doubter need only be referred to the marked differences between now and even ten years ago in the practices of the large retail stores in retaining and soliciting trade to be absolutely sure that a new order of treatment has arrived, while the old has silently and ignominiously sneaked away.

Trade all over the world, therefore, under

modern conditions of justice and courtesy, is sure to be a powerful force for the peace of the world. Profit and prosperity cannot come with war and destruction. To go to war is to destroy one's markets. The assertion that trade follows the flag is already a discovered and a discredited falsehood. Trade follows the line of largest profits. Capital, notoriously timid, goes most abundantly, profits being equal, where there is the best security. Self interest, as well as altruism, makes for justice and courtesy in commercial dealings with every customer in every quarter of the globe, be he white or black, or red or brown or yellow.

It is only within a few years that business men's organizations, as such, have become identified all over the country with the Mohonk arbitration movement. That they have become so identified, that they give attention to the subject officially, and that a part of the program is given over to them exclusively in order that they may present to the conference and to the world their direct interest in the prevention of war, shows how desirous they are to establish conditions favorable to trade in all parts of the world. A logical consequence of this attitude of the business men is that they will use their organized influence for the peace of the world as soon as their movement shall have had time to develop, and that day will probably come very soon.

Trade binds men together in all countries.

But back of the trade, as a force in the transaction, is the human nature in the persons who do the trading, and even that human nature would not make the tie if it were not for the conscious brotherhood back of it. To the ultimate unity of the race, therefore, the trade status reverts for its final explanation. But trade is the occasion of the movement toward unity, not philanthropy in any large degree, and if any one refuses to accept this, but prefers to accept a lower explanation, let him say that trade is the force which binds men together and let him stop with that.

Now, then, with trade binding men together in all countries, they have a friendly understanding and a common object in working for peace. They can work together because they are friends. They want to make profit by trading, and they are none the less friends because they propose to make money out of each other. They have reached the stage where they realize that each is able to trade because he has a natural advantage in the production of the goods he has to sell, and the strength of his desire to get the goods of the other is the measure of his price for his own. Each trader, unofficially, informally, but none the less really, by virtue of his economic function as a member of the community, represents the mass of the people who patronize him or who do their business through him, and therefore prices fixed by traders are the measures of the desires of the several communities to trade with each other, and

friendly relations of the communities themselves are a prior condition to friendly relations and to trade between the traders personally.

Relations of friendship and of mutual profit existing between communities, see what will be the effect upon public sentiment, if no occasion for quarreling be given. Militarism must fall into discredit. Here is a positive consequence of this movement of business men. We are in a transition stage just now, but the current is running strongly against militarism and it is certain to run until the public spirit which makes for war, or even which prepares for war as the best means of promoting peace, will be smothered and extinguished by the lack of exercise and by the condemnation of public sentiment. We are now in the era of military training for boys in public and private schools, of the unification of the state militias and the national control of all our armed men, of larger armies and of many great battleships. We are in the years when the public judgment, not yet out of the wilds of barbarism and not yet entered into the peaceful arena of world unity and world brotherhood, compromises between two incompatible positions. It knows that peace is right, is best and is most profitable. But with the brute still surviving in its blood and brain, it forecasts collision, bloodshed and a death-grapple of nation with nation. Hence it advertises its folly and its brutishness. It proclaims its inability to stand by the demonstration

of its own reason. It confesses its treason to its own Christ and it arms for war. It fails to realize that the military profession, in its ultimate analysis, will be hereafter the most degraded of all occupations a human being can follow, whatever honor it holds now or has held, and it talks of duty and patriotism in utter defiance of the higher duty to recognize the brotherhood of all nations and in ignorance of that patriotism — the only patriotism worthy of the name or up with the times — which takes in all the nations and is absolutely sure that in the right relations of all classes and races war between the parts of mankind is totally impossible.

Out of this transition stage we are sure to come, and doubtless will come speedily. Business men will be the foremost actors. Those who have goods to sell abroad, representing the community behind them — and this will be true of other countries as well as of our own — will lead the way in laying the permanent foundations of peace. Military men will not only be under the righteous and terrible condemnation of popular judgment as creatures who will sacrifice conscience and personality in obedience to unrighteous officers, and who destroy, ravish and slaughter fellow men rather than settle their differences by reason and by justice, but they will be under the added ridicule and contempt of the entire community as the most foolish class of men on the face of the earth. With the sober sense

of the community against them, with no excuse for existence but the survival of the brute, woman's silly admiration for brass buttons and shoulder straps, and a groundless fear of future wars, the military profession will become so unpopular that it will fail to secure government appropriations, and then its days will be numbered.

Out of the Mohonk stage of the business men's organization for peace, it is reasonable to predict, will come international business men's organizations for world trade. If our merchants and manufacturers from Boston to San Francisco can organize and work in this country for the promotion of conditions to favor world trade, it is equally possible and practical for the business organizations in the different countries to come into touch with each other and to exert their influence upon all governments simultaneously for the promotion of that peace all over the world which will foster the largest possible development of business. It is perfectly feasible for boards of trade, chambers of commerce, merchants' associations and similar organizations in all countries where they exist to make a world organization among themselves. To them, as a most willing and powerful factor, would be added the great transportation interests everywhere, and it is only necessary to allude to the vast political power of the transcontinental and transoceanic railroad and steamship companies to show how absolutely such a combination would control

the policies of every civilized country on the face of the earth.

In the United States we know how the political power responds to the popular sentiment. Our politicians, even our presidents, rarely have policies contrary to the judgment of the great majority of the people. Public opinion is our master and our guide. Martyrs to it we have in the cause of progress, but martyrs to it in the cause of retroaction and barbarism we are not likely to have. Militarism does not breed the martyr spirit. Other nations will feel, as we shall feel, the momentum of the business men's movement. All the force of organized labor will be exerted on the same side, for labor is already pledged to the cause. Even military Germany cannot resist such a combination of business men and labor, with all its radical thinkers enlisted for peace, and when Germany, which now professes peace as the object of its arms, ceases to menace the other nations and so removes their excuse for arming, then the new era will have so fully come that it will only be necessary to observe, as speedily as possible, the formal interment of the putrefying corpse of militarism.

Trade and war are incompatible. Such exceptions as may be cited can exist only by evasion of the full sense of each of these words. Trade represents the progress of civilization and the spread of Christianity. Only its abuse is to be despised and condemned as sordid and unjust.

It is essential for the existence of the human race. It may be, should be, and doubtless will be, elevating and noble in its methods and associations. War belongs to the brute past and is rapidly being relegated there. It is on the defensive, weak and apologetic. Today it has no excuse for being between the great nations, and they can police the savages of the world. Trade is aggressive, strong, and apologizes to no one for its existence or its attitude. Its mighty influence is for peace, and it is as sure to win as there is brain and will in the human race.

World trade, therefore, makes for world peace, and every one who believes that peace is better than war is by that fact allied with the forces which make for the extension of free and profitable trade to every place where a vessel can find a landing or where the wheels of a vehicle or the pack of a pedler can go.

CHAPTER XXII

WHEN TARIFF REDUCTION COMES

Whenever an appreciable reduction of the tariff comes, unless business conditions are abnormally favorable to prosperity, it is probable that the temporary effect will disappoint the friends of the reduction, encourage its opponents, and try the faith of that uncertain public which is watching the experiment. So clear and concise a statement of the operation of forces at a time of reduction has been made by Professor Garrett Droppers to the author that the substance of his words is reproduced here as a caution, and an encouragement to those who do not favor the present tariff. He was formally Professor of Political Economy in the University of Chicago, and is now an occupant of the chair in the same department in Williams College — one of the younger generation of political economists who are watching the latest manifestations of economic tendencies, as well as studying the principles as expounded by the earlier schools. As he puts it, the immediate effect of the increase of duty would be to give to a community a temporary prosperity. Protected interests would feel the stimulus of the removal of competition and apparent prosperity would prevail. People would be deceived, and would suppose that general improve-

ment of business had begun, but if the condition of the whole community could be learned, this prosperity would be found to be an illusion. The whole is scattered and the true condition is unmeasurable; hence a mistaken belief becomes popular, and the tariff is regarded as the real cause of prosperity.

On the other hand, suppose that the duty were cut in two; the first effect on the protected interests at the center of the community would be to depress their business. Some lessening of prosperity might seem to rest upon them. People generally would question whether the new policy were right. Those who favored tariff reduction must expect that the first effect will be against them, and will continue until business has become adjusted to normal conditions. "The tariff," says Professor Droppers, "is a stimulant at first in promoting business. Its effect is very much like that of brandy upon a person not accustomed to it, but as the system becomes habituated to its use, the first effect cannot be continued, and finally the bad effects of the stimulus are felt through all the system. It is far better for the health of the community to return to a cold water basis and stay there."

A further view of the situation given by Professor Droppers is so unfamiliar to most men who debate the tariff, and is so important as a political proposition that it is well worthy of the attention of all the voters of the United States, in

his earnest, vigorous setting forth of the prospects of obtaining lower duties. He refers to the need of a better banking and credit system which may give vigorous assistance to the producing industries whenever a tariff reduction takes place. At present the banking system in this country is so delicately adjusted that at any moment it may lose its power to protect the very interests that stand most in need of it, especially at a critical moment. The reform of the tariff, he believes, is more or less endangered as a successful national policy, until there has been a reorganization in the currency system. The Professor's position is substantially as follows:

It is not difficult to prove that as at present constituted the industries of our country would be vastly benefited by a reduction of the tariff. With every development in the productive energies of the United States there is a demand for cheaper and larger supplies of raw material. This increase in demand cannot be obtained on favorable terms, unless there is a very substantial reduction in the duties now imposed. There is scarcely a manufacture of importance which cannot be enlarged were only cheaper supplies forthcoming from those countries still engaged in the so-called extractive industries. By means of the tariff these countries are largely shut off from profitable trade with the United States.

But when such a reduction in the tariff takes place there will be naturally some diminution of

prices, particularly in certain lines of industry. This change is always a trying one and inspires a fear in certain quarters that profits will be diminished. It is of great importance that in such a transition period producers should be able to rely in all legitimate ways upon an abundance of credit to tide them over the period of transition. If at such a time the government could assure the manufacturing and other commercial interests of the country that such assistance was forthcoming, it would tend to remove certain fears which are now widely entertained. To use a figure of speech, quoted, if a man is to abandon the use of stimulants he should at least have sufficient food and drink of the right kind to sustain him in vigor.

At present, through certain provisions of the national banking system, there is always a danger that the credit demanded by manufacturing and mercantile concerns will not be forthcoming. Such a condition would be impossible, if there were established in this country an effective banking system, more or less under the control of the government, which could not only assure to these interests, but could assure to the other banks ample relief in case of emergency. The central banking system adopted in each of the countries of Europe adequately provides for just this situation. Such a bank would have power to expand its note issues under certain restrictions and would prevent all loss of confidence on the part

of depositors and borrowers whenever an extraordinary demand arose for credit. Such a bank in the full light of public opinion, and with the guarantee of the government behind it, would be able to provide an entirely elastic system of currency, and a sound system of credit; whereas, under the present system each bank is forbidden by law to extend its loans whenever a fear becomes imminent that a crisis is at hand. In fact, under the present system of banking a few men can precipitate a money crisis in this country whenever it suits their purposes to do so. Each bank is forced by the provisions of the National Bank Act to look out for itself at the expense of the very interests it is designed to protect. Such a state of things would be wholly impossible under the administration of a large central bank on the model of the Reichsbank of Germany. Its power to expand its circulation under certain restrictions is practically unlimited, and yet with this expansion of circulation no question of the solvency of the bank can possibly arise.

It is of course possible that the change to a lower tariff level would not be accompanied by any business reaction or loss of bank confidence. At any rate, the period of reaction must be brief for the expansion of those industries that are now hampered by the restrictions of the tariff, and the consequent enlargement of the markets of the country will soon make good any temporary set-back. Under the present efficiency of

machinery and labor in the United States it is hard to see how any revolutionary re-adjustment would be necessary in any important line of production. The testimony of manufacturers seems to be quite inconsistent on this head. The evidence from these quarters during periods of prosperity is that America can manufacture more cheaply than any country of the world. One has but to recall the almost extravagant statements of Mr. Schwab with regard to the cost of production of steel rails in this country, as compared with the cost abroad. Similar opinions are often heard from men who are connected with the most highly protected interests. But when any definite effort is threatened to reduce the tariff duties these very men will contradict their former statements, and defend the absolute necessity of a high tariff. It is to be regretted that the favored interests do not break loose from their old moorings and strike, for what, in the long run, must be greater prosperity and freedom. It is only the period of transition from a higher to a lower tariff that need be feared, and any injurious effects of this reaction could best be neutralized if there were a positive assurance that the change would not be accompanied by the loss of credit facilities. The government is responsible for the tariff, and the industries fostered by the tariff. It, therefore, should take into consideration the means whereby all unnecessary losses may be prevented.

The old ideal that we can separate the business interests of the country from the government is unattainable and probably in its last analysis, vicious. The purposes of government are as broad as the interests of civilization itself. While this old ideal once had sway in England, it has lost much of its vitality there, and on the Continent it has never had any considerable influence. Only among the doctrinaire economists of this country does it still have potency, and so long as we take this attitude will the protected interests fight for what they conceive to be their own prosperity, even if it involves a loss to the rest of the country; and, in the long run, an injury to themselves. The influence of government in promoting or retarding prosperity is quite incalculable. Sometimes, as under the present policy of protection, it hinders the very purposes which it has designed to promote; but in other cases it has a beneficent power which it is useless to gainsay; and among the most powerful and essential functions of government is the establishment of a responsible and trustworthy banking and credit system having to do with the issue of money and such substitutes as are acceptable to the public. Private credit must ultimately rest upon some form of government guaranty, whether concealed or acknowledged. The central banking system is the most direct form of responsible banking. Its powers, clearly expressed, can provide for almost any emergency

that would arise from any fluctuation in the level of prices, and would give assurance of stability in a trying period of transition.

WORLD ORGANIZATION

BY RAYMOND L. BRIDGMAN

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